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World Business Newspaper http://www.FT.com WEDNESDAY JUNE 18 1997

Finnish energy group talks may herald merger

Neste, a partly-privatised Finnish oil and petrochemicals group, and Imatran Voima, the domestic state-owned power utility, are in talks with the Finnish government which could lead to a merger. A tie-up would represent one of Finland's biggest corporate deals, creating a powerful force on the Nordic energy market. The companies would have combined annual sales of FM55.4bn ($920m) and a market capitalisation of around FM26bn. Page 13

Tory leadership battle nears end: The battle for leadership of the UK's opposition Conservative party moves towards a final ballot tomorrow between former chancellor Kenneth Clarke and William Hague. Supporters of beaten candidate John Redwood were last night deciding which way to vote. Page 8

French crackdown on pornography: French policearrested 345 people in a crackdown on paedophile videos. In a nationwide operation, 2,500 gendarmes searched the homes of 800 people whose names were on the books of a mail-order company in Macon which sold pornographic films.

Steffi Graf's father will go to jail

Peter Graf (left), father of tennis star Steffi Graf, is to go to jail for evading tax on his daughter's earnings after German prosecutors dropped an appeal against his sentence. Mr Graf was sentenced to three years and nine months jail in January but was freed pending the appeal. He has already spent 15 months on remand and will serve another 15 months in prison.

Britons bid for Italian club: Vicenza could become the first top Italian football club to fall into foreign hands if a bankruptcy court approves British investment company Stellican's L22bn (£8m) bid for the Italian cup winners on Friday. Page 4

Lockheed unveils Russian rocket deal: Lockheed Martin has ordered 101 rocket engines to be built in Russia for use on its new Atlas rocket. Announcing the $1bn deal, the US company said it hoped the engines would be selected for the US government's expendable rocket programme. Other Contracts, Page 4

Barney's to shut Manhattan store: Barney's, the upmarket US department store group struggling to emerge from bankruptcy, is to close 74-year-old flagship store in downtown Manhattan. It will also close three other stores in Dallas and Houston, Texas, and Troy, Michigan. Page 13

Israel agrees economic reforms: Israel's prime minister Benjamin Netanyahu has agreed to introduce sweeping reforms aimed at cutting the budget deficit, lifting foreign currency restrictions and speeding up privatisation. The measures, to be phased in next year, will liberalise foreign currency transactions, allowing institutional investors and Israeli funds to trade abroad as well as unhindered access to foreign currency accounts. Page 5; Editorial Comment Page 11

US cruise line to pay $500m for rival: Royal Caribbean International, the second biggest US cruise line, agreed to buy Celebrity Cruise Lines, a relative newcomer to the industry, for $500m in cash and stock. Page 12

Refugees' plight deepens: The number of refugees fleeing human rights violations has almost doubled to more than 15m over the past 10 years and their plight is deepening, Amnesty International said. "The international regime that is supposed to protect refugees is in crisis", warned the London-based human rights agency in its annual report. Page 5

Cash for Hadrian's Wall: Hadrian's Wall, one of Britain's most treasured historic monuments, is to get £1.3m ($2.1m) from the UK's National Lottery to create an 80-mile path alongside the Roman fortification. The wall across the north of England was built by the Roman emperor in the second century AD to provide a barrier against the Scots.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

France told not to expect automatic admission to monetary union

EU allies warn Paris on budget shortfall

By Lionel Barber in Amsterdam and David Buchan in Paris

France yesterday came under fresh pressure from its European Union partners over its failure to curb a worse-than-expected public deficit this year.

One EU finance minister warned France should not expect automatic entry to monetary union on political grounds alongside Germany. Spain and Portugal, with better progress on fiscal discipline, could be the "southern" balance in the planned monetary union, he said.

The French deficit is set to reach between 3.5 per cent and 3.8 per cent of gross domestic product in 1997, according to tha finance ministry projections. The 1992 Maastricht treaty sets a deficit target of 3 per cent of GDP in 1997 for countries wishing to enter economic and monetary union.

The new projections emerged as EU leaders, meeting in Amsterdam, laboured over a new treaty to prepare the Union for enlargement to central and eastern Europe.

With Germany in the forefront, other EU countries committed to Emu are pressing the leftwing government in Paris

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to clarify whether it will order fresh austerity measures to meet the Maastricht criteria.

Doubts over France's commitment to Emu have risen since the Socialists swept to a surprise victory in parliamentary elections this month. Yesterday, members of the government sent conflicting signals about policy toward Emu.

Mr Pierra Moscovici, France's European affairs minister, suggested there was nothing automatic about the government's move towards the single currency.

"We must assess the state of our public finances [by mid-July], and it will be in the light of this situation that we will decide whether or not to move to the euro," ha said.

French officials distanced the government from Mr Moscovici's comments. Mr Dominique Strauss-Kahn, France's industry and finance minister, who has called for Spain and Italy to be included with France and Germany among founding Emu members, said: "The most important thing is to be approaching 3 per cent."

Last week, Paris put on bold approval of the German-inspired stability pact intended to enforce fiscal discipline among Emu members. EU leaders reached a compromise which left the pact intact, while offering France largely rhetorical promises to promote jobs and growth.

Mr Lionel Jospin, prime

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French president Jacques Chirac (left) and his prime minister Lionel Jospin (right) confer with an aide on the final day of the European heads of government meeting in Amsterdam Picture: Reuter

Moscow snubs EU mission amid trade allegations

By John Thornhill in Moscow

A diplomatic row erupted in Moscow yesterday when Mr Boris Nemtsov, Russia's first deputy prime minister, attacked the European Union's "discriminatory" trade practices and refused to meet Sir Leon Brittan, the EU's chief trade negotiator.

Mr Nemtsov said the EU's continuing classification of Russia as a "non-market" economy bracketed it with countries such as Cuba and North Korea. The European Commission had imposed "fierce" anti-dumping procedures against 14 categories of goods including seamless pipes, magnesium, and potash fertiliser, he said.

Sir Leon, who was in Moscow to accelerate Russia's accession to the World Trade Organisation, said the allegations were a "nonsense". Anti-dumping procedures affected only 1.1 per cent of Russia's trade with the EU, he said. The average tariff on Russian goods entering the EU was 4 per cent, compared with the 19 per cent tariff Russia imposed on EU goods.

"I think it is a shame that Mr Nemtsov has not had the opportunity of putting his case to me in an honest and manful way – face-to-face rather than engaging in this boycott," Sir Leon said.

EU officials were mystified by Mr Nemtsov's decision to cancel the meeting, especially as Sir Leon was committed to clearing the way for Russia's accession to the WTO.

Mr Nemtsov, who was appointed first deputy prime minister in March, is one of Russia's most reformist ministers and has encouraged the development of international business relations.

But he has an ear for the populist mood and the Russian press has recently been awash with stories about the EU's allegedly discriminatory trade regime.

During his two-day visit to Moscow, Sir Leon met several Russian officials, including Mr

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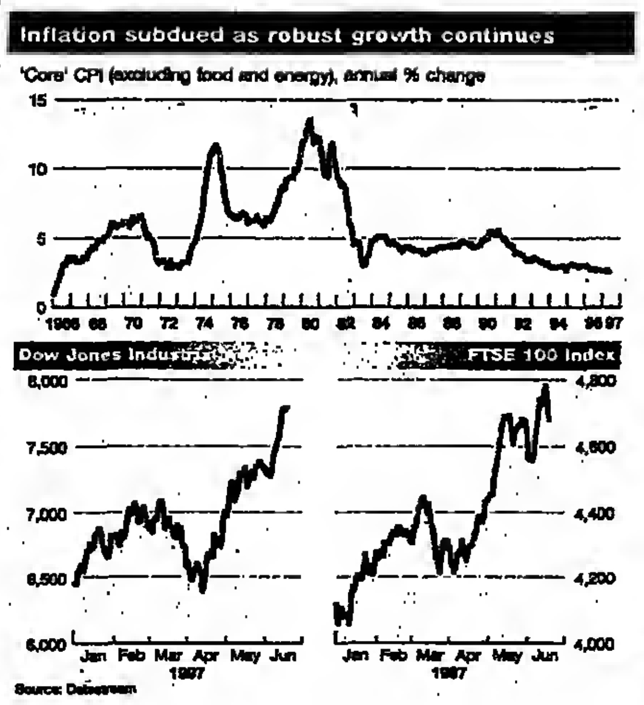
US inflation drops to a 10-year low



Source: Datastream

By Gerard Baker in Washington

US consumer price-inflation fell to its lowest annual rate in a decade last month - the latest sign the economy is still on a path of robust growth with little inflationary pressure.

The consumer price index inched up by a seasonally-adjusted 0.1 per cent in May, leaving prices 2.2 per cent higher than a year earlier, the Labour Department reported yesterday.

A sharp fall in fuel costs was the main factor behind the weakness in overall price rises. But even excluding the volatile food and energy components, the core index rose by just 0.2 per cent last month, taking price rises to an annual rate of 2.5 per cent.

Unadjusted for seasonal fluctuations, the core rate in May stood at its lowest level in 31 years.

The core rate of inflation has now been at or below 3 per cent for the last two years, e period when the US economy has been expanding at a generally healthy pace.

This combination of growth without inflation has been the main reason for a sharp rise in stock prices over that time, as investors have concluded the US has entered an era of stable non-inflationary growth.

Analysts interpreted the figures as strengthening the case for the Federal Reserve, the US central bank, to leave interest rates unchanged at the July 1-2 meeting of its policy-making open market committee.

"The US continues to enjoy inflation-less growth," said Mr Bruce Steinberg, chief economist at Merrill Lynch, the New York investment bank. "The data reinforce the likelihood the Fed will remain on hold."

The weakness of consumer prices has been underpinned in recent months by sharp falls in producer prices. Last week, the Commerce Department reported producer prices rose by just 0.3 per cent in the year to May, suggesting inflation in the production pipeline

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Philips and Lucent to link on phone manufacturing

By Alan Cane in London and Richard Waters in New York

Philips Electronics of the Netherlands and Lucent Technologies of the US plan to merge their telephone manufacturing operations in a joint venture with annual revenues of $2.5bn.

The naw company, with more than 12,000 staff, will change the face of competition in global consumer communications products.

The company, Philips Consumer Communications, represents a new threat for leading mobile phone makers – Motorola of the US, Ericsson of Sweden and Nokia of Finland – as well as traditional phone makers such as Alcatel of France and Siemens of Germany, and many Asian rivals.

It will develop, manufacture and market digital and analogue cellular phones, corded and cordless phones, answering machines, screen phones and pagers. Its products will be sold worldwide under the Philips brand name.

Some 60 per cent of the venture will be owned by Philips which will have management control. The two companies said their activities would be complementary. Philips, one of the world's leaders in consumer electronics, will focus on retail marketing while Lucent, formerly the manufacturing arm of AT&T, the largest US telecoms company, will concentrate on business sales.

For the moment they will maintain their product lines, although it is expected that a joint product line will emerge.

Mr Michael McTighe, 43, managing director of Philips Consumer Communications, will head the new company. "This is e case where one and one equals three," he said.

The venture is expected to call on the technical expertise of the Lucent subsidiary Bell Labs, the world's best known communications research centre. Ms Carly Fiorina, president of Lucent's consumer products business, will be on the board of the new company.

The deal will give Philips its first significant presence as a consumer brand in the US. Lucent currently accounts for about a third of the country's cordless and corded telephones, and the same proportion of answering machines. Most of these carry the AT&T brand, though Lucent must phase this out under the terms of its spin-off from AT&T last year.

"Philips wanted to establish itself as a global brand, and with this acquisition they get the biggest market share in the US," said Mr Barry Sine, an analyst at SBC Warburg.

The joint venture will also help shore up what has been the worst-performing of Lucent's four businesses. With no recognition of its brand and little consumer marketing expertise, "they had to do something with this business," said Mr Sine.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,793.35	(+21.26)
NASDAQ Composite	1,439.47	(+7.52)
Europe and Far East		
CAC40	2,762.60	(-33.27)
DAX	3,741.46	(-23.63)
FTSE 100	4,682.2	(-62.9)
Nikkei	20,393.66	(-87.41)

US LUNCHTIME RATES

Federal Funds	6⅛%
3-mth Treas Bills: Yld	5.020%
Long Bond	98½%
Yield	6.712%

OTHER RATES

UK: 3-mo Interbank	6⅝%	(same)
UK: 10 yr Gilt	101⅜	(101½)
France: 10 yr OAT	99.22	(99.56)
Germany: 10 yr Bund	102.01	(102.43)
Japan: 10 yr JGB	104.53	(104.28)

NORTH SEA OIL (Argus)

Brent Dated	$17.46	(17.235)

GOLD

New York: Comex (Jun)	$341.8	(342.9)
London: close	$342.15	(341.95)

DOLLAR

New York lunchtime		
£	1.6387	
DM	1.7323	
FFr	5.844	
SFr	1.4453	
Y	113.295	
London:		
£	1.6380	(1.6383)
DM	1.7338	(1.7295)
FFr	5.8468	(5.8325)
SFr	1.4478	(1.4397)
Y	113.42	(113.46)
Tokyo close:	Y 113.36	

STERLING

DM	2.8398	(2.8335)

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■ No to integrated WEU ■ No to top foreign affairs chief ■ Immigration veto stays

EU tones down most ambitious plans

By Emma Tucker and Lionel Barber in Amsterdam

Amsterdam Summit

European Union leaders slowly pieced together a new EU treaty last night, omitting the most ambitious proposals for integration and giving partial opt-outs to the UK, Ireland and Denmark.

As the summit moved to its close, it appeared the 15 leaders had watered down a French proposal for a high-profile figure to represent the EU's foreign policy, and had accepted that a national veto should remain on immigration and asylum matters.

The UK, backed by Denmark and the four neutral EU member states, deflected attempts to integrate the Western European Union (WEU) defence organisation into the EU.

The UK and Ireland were to retain control of their national borders, while other countries were to strengthen co-operation in crime-fighting and immigration policy. The Schengen accord, linking most EU states in a border-free zone, was to be added into the treaty.

The basic challenge for the leaders at Amsterdam was to adapt the Union's structures – barely changed since the Treaty of Rome 40 years ago – to make the EU fit to expand to as many as 26 member states.

The urgency stemmed from an earlier pledge to open accession negotiations with applicant countries from central and eastern Europe six months after the conclusion of the intergovernmental conference (IGC).

The applicants include the Czech Republic, Poland, Hungary, Slovenia, the Baltic states, Slovakia, Bulgaria, Romania and Cyprus.

Three central issues are at stake: the size of the European Commission, the extent of majority voting, and the weighting of votes in the decision-making Council of Ministers. The smaller countries, including newcomers Finland and Sweden, had threatened to block the IGC if there was any attempt to take away their EU commissioner. So the focus was on the balance of power in the Council of Ministers.

As the Union has expanded from the original six members to today's 15, the balance of voting weights in the Council no longer reflects the distribution of population across the member states. Thus Luxembourg, with barely 450,000 people, has two votes, while post-unification Germany, with 80m inhabitants, only has ten votes. The result is that Germany's respective weight has been diluted.

This is also true for the other big members. In spite of being home to nearly 80 per cent of the EU's total population, Britain, France, Germany, Italy and Spain have only 55 per cent of the Council's votes.

When the Community had only six members, the balance of voting weights meant decisions could be taken only if countries representing 70 per cent of the bloc's population supported them. That figure has since fallen to 58.3 per cent, and could fall to 50.3 per cent with 26 members – meaning that the UK, France, Germany and Spain could actually be outvoted by all other EU states voting together.

To re-establish an equilibrium, the Dutch EU presidency tabled a three-step solution.

Until the first enlargement, the status quo will reign. If the first enlargement includes no more than five new countries, all member states will keep a commissioner, but the large countries – France, Germany, the UK, Italy and Spain – will lose their second. At the same time there will be a reweighting of council votes, so that every member state will get more votes but, as one Dutch official put it, "the bigger member states will get more more votes".

If a second enlargement occurs, or if the first enlargement includes more than five new countries, then the entire system would be subject to a wholesale review.

However, there were signs yesterday that this scenario did not satisfy some of the bigger member states, which wanted population sizes to be taken directly into account in the rebalancing of voting weights. Leaders were also examining proposals for an expansion of qualified majority voting in the council, but partly because of UK and Spanish unease the extension was to be modest.

EIB cautious over its latest jobs assignment

By Wolfgang Münchau, Economics Correspondent

Judging by the number of jobs programmes over the past 10 years, the European Union should not have an unemployment crisis. But it does.

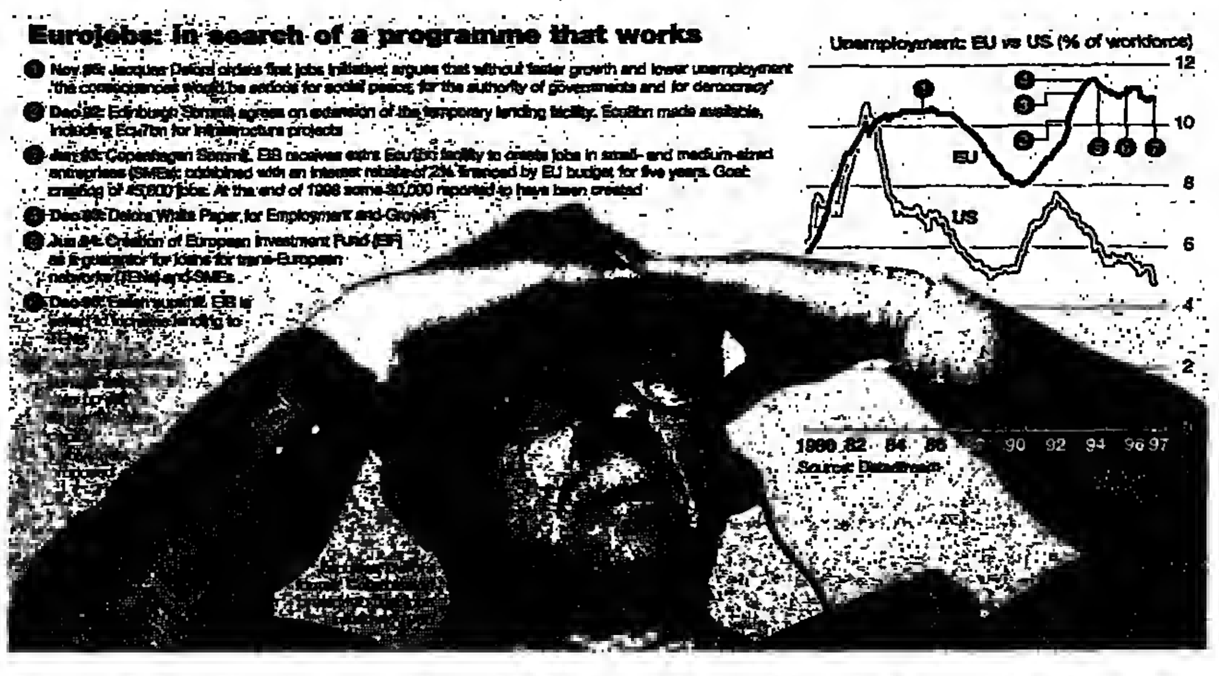
The jobless rate has climbed from 6.4 per cent in 1980 to 10.8 per cent last January; over the same period in the US it has declined from 7.2 per cent to 5.3.

This has happened despite a string of EU programmes focusing mainly on the demand-side of the economy. These included targeted help for regional and trans-national infrastructure projects, and specifically for small and medium-sized companies.

Now, the Amsterdam summit has produced yet another job initiative as part of a trade-off against the stability pact for the planned single currency. Like many programmes before, it will centre on the European Investment Bank, the EU's finance arm.

Mr Hans-Olaf Henkel, president of the Federation of German Industry (BDI), yesterday condemned the European Union's planned jobs chapter as superfluous and said it could be accepted only because it would have no real effect.

Mr Henkel said the jobs chapter, pushed by France, was simply the deal Bonn had to accept to ensure the stability pact was passed.



As the world's largest multilateral lender, the EIB enjoys the highest credit rankings, and can therefore help finance projects in a cost-effective way. There are, however, limits to which "off-balance sheet" financing can be pushed.

Even among bank insiders there is strong scepticism about the expectations politicians have placed in them in the fight against unemployment. This goes especially for suggestions about a possible redistribution of the EIB's profits or a stronger bank involvement in venture capital operations.

As one senior official said: "Of course we have a role to play in reducing structural unemployment. But if you count 18m unemployed, there remains a large discrepancy."

The EIB has been at the centre of the EU's efforts to reduce the rate of unemployment since the early 1990s. At various summits it has been given a specific remit to step up lending to small and medium companies (SMEs) and various European infrastructure projects, also known as trans-European networks (TENs).

At Edinburgh in 1992 and Copenhagen the following year, the bank was given a facility of Ecu8bn ($9bn) to lend to SMEs in combination with an EU-financed interest rate rebate of 2 per cent. The goal of this combined programme was to create 45,000 jobs. By the end of 1996, about 30,000 had been created, one of the EIB's biggest success stories in terms of job creation.

Bank officials say this is typical of the scale on which it can help stimulate the EU jobs markets. They acknowledge, though, that there is some scope for extending the EIB's remit beyond that of lender to that of an investor.

Under current arrangements the EIB could become more active in the provision of venture capital, in collaboration with the European Investment Fund, set up in 1994 to provide loan guarantees for TENs. The Fund's shareholders are the EIB, the European Commission and commercial banks.

Critics of the process say that the EU would do better to concentrate on welfare systems and labour markets, rather than relying on stoking demand in the economy.

Professor Richard Layard, director of the Centre for Economic Performance at the London School of Economics, believes the EU can play a useful role – not in devising grand schemes, but in acting as a "transmission mechanism" that enabled positive experiences in one or more countries to be transmitted to the rest.

Pedal power puts leaders on a fast track to lunch

European leaders got on their bikes yesterday – or at least most did. Chancellor Helmut Kohl of Germany kept his feet firmly on the ground, and did not look best pleased at the gift to the summit participants. Britain's Mr Tony Blair sped to the front in the 100-metre pre-prandial pedal.

Mr Wim Kok, leading the home team, showed Dutch dexterity giving Mr Hans van den Broek, his European commissioner, a ride on the baggage rack.

As a memento of Amsterdam, the bicycle has a sensitive German-Dutch history since Nazi forces retreating at the end of the Second World War occupation used them as getaway vehicles. Dutch youths even now taunt: "I want my bike back." Mr Kohl was having none of it.

□ □ □

Restaurant watch. For the second successive night, a small contingent of journalists found themselves having dinner at an eatery patronised by members of the Belgian government. That nation of gastronomes has briefed itself thoroughly.

On Monday evening it was the turn of Mr Philippe Maystadt, finance minister, at restaurant Het Tuynhuys – an erudite establishment with a Québécois waitress who also chairs human rights conferences.

French President Jacques Chirac ducked human rights issues in Beijing a month ago to net some $2bn in contracts for French companies. China had however, just cancelled a Dutch trade visit in retaliation for The Hague's support of a critical United Nations resolution.

While in Beijing, Mr Chirac clearly developed a taste for Chinese cuisine. Across the street from Het Tuynhuys, he was spotted at Sichuan Food prosaic of name but proud owner of a Michelin star.

□ □ □

Victory for Germany was the general verdict on the summit showdown between Bonn and Paris over the rules for enforcing budgetary discipline. But it was hard to tell from Chancellor Kohl's face yesterday.

Bicycles notwithstanding, Mr Kohl has been grumpier than usual, thundering about domestic opposition to the euro rather than expounding his vision of a united Germany in a united Europe. A special target of criticism is Mr Edmund Stoiber, the conservative Bavarian leader whose CSU party is part of Mr Kohl's coalition.

Mr Stoiber has been warning Mr Kohl and Mr Theo Waigel, finance minister, they are testing the limits of ordinary Germans' patience with plans to swap the rock-solid D-Mark for an untested euro. Mr Stoiber is insisting on the strictest of entry targets for Emu. So is Mr Gerhard Schröder, the Social Democrat premier of Lower Saxony, making a bid to run against Mr Kohl in the October 1998 elections.

Gordon Cramb, Lionel Barber and Emma Tucker

Blair's line: win friends and influence results

By Robert Peston, Political Editor, in Amsterdam

Mr Tony Blair, the UK prime minister, set himself one overarching challenge for the Amsterdam summit. He wanted to demonstrate that, by taking a more constructive approach to negotiations with fellow European leaders, he could win a better deal for Britain than his predecessor, Mr John Major.

When later today he claims success in an address to the House of Commons, there will be some evidence to support him. First and foremost, he has secured a watertight guarantee in the new European Union treaty that the UK will retain control of its own borders and take whatever measures it sees fit to maintain their integrity.

He helped outflank attempts to set up either the Western European Union or the EU as defence organisations with the potential to rival Nato, although the notion that the EU should eventually acquire a greater role in this area has not been completely thrown out.

In foreign affairs, the UK argued successfully for individual countries to retain the right to veto any initiative, with majority voting applicable only in decisions on implementing already agreed policies.

Mr Blair also had a modest role in stemming the creation of a two-tier Europe, based on an inner and outer core of members integrating at different speeds through the use of the so-called "flexibility principle".

On fishing, negotiations with the European Commission have produced progress towards an agreement which would help the UK fishing industry without solving the fundamental problem of encroachment into UK waters of Spanish fishermen through quota-hopping.

According to UK officials in Amsterdam, the summit would probably have had a different outcome if Mr Major had been participating.

"It is conceivable that Major would have precipitated a full-scale European crisis by refusing to agree to anything," said one official.

Mr Major set out to block EU agreement on a range of fronts from action against sexual discrimination, through to the incorporation into the treaty of a new employment chapter, the application of EU law to arrangements for a borderless Europe, and a raft of institutional changes necessary for the EU's enlargement. "We were saying 'no, no, no' on almost every issue imaginable," said a senior UK official.

Mr Blair, by contrast, set himself a narrowly prescribed set of goals and was prepared to be flexible in areas of less importance to the UK.

"John Major always used such emotive phrases when addressing summits," said a senior Commission official. "We always felt he was addressing his own Eurosceptic MPs rather than his fellow leaders." By contrast, he added, Mr Blair stated "clearly and simply what his goals are and avoids unnecessary attacks on Europe".

Pork barrel time for Fianna Fáil

Ireland's inconclusive general election has plunged the political parties into a hectic bout of courtship ahead of the reconvening of parliament on June 26.

Negotiators for Mr Bertie Ahern's Fianna Fáil party, which emerged as the largest after the election, have had a fairly easy ride agreeing policies with their putative coalition partners, the centre-right Progressive Democrats. But the party faces a more delicate task enlisting the support of independents for his nomination as prime minister.

Mr Ahern has said he will head a minority government and will not enter into "horse-trading" with any independent. Fianna Fáil has 77 seats and the PDs just four, so his alliance is three short of a overall majority in the 166-member Dáil.

Of the 10 independents, there are two Greens and a member of Sinn Féin, the IRA's political wing. Fianna Fáil should be able to count on three who are of "the Fianna Fáil family." One is a former member who left when he was overlooked by the candidate selection committee. Another is the daughter of a former Fianna Fáil member, and a third is the brother of a former Fianna Fáil minister.

That should suffice. But Fine Gael, the former governing party, injected a new uncertainty this week by approaching Mr Des O'Malley with the offer to support him as speaker. Mr O'Malley, founder of the Progressive Democrats, has long had poor personal relations with Fianna Fáil, and friends say he might be tempted to seek the speaker's job.

If he does, thus reducing the PD strength by one, Mr Ahern could find himself having to rely on the vote of the Sinn Féin member – doubly awkward in the wake of the murder by the IRA this week of two British policemen in Northern Ireland, which Mr Ahern was quick to condemn.

A Fianna Fáil member said it was going to be "pork barrelling all the way", referring to the deals being discussed in backrooms.

Mr Harry Blaney, another former Fianna Fáil member and now a hard-line republican independent from Donegal, has already said he will only give his support if there is a public call from Mr Ahern for British withdrawal from Northern Ireland.

Mr Jackie Healy Rae, from Kerry South, has said he wants potholes in the roads and other local issues sorted out before he will support Mr Ahern.

Another has said he will be seeking concessions for the so-called deflector groups – the operators of unlicensed television transmissions of British television programmes to the west of Ireland.

Even if Mr Ahern, as seems likely, wins enough votes to become prime minister, the manoeuvres do not bode well for the durability of his government.

Fianna Fáil's parliamentary vulnerability could be further exposed by the party's choice for the presidential election, which is now set for November after the appointment of the current head of state, Mrs Mary Robinson, as United Nations human rights commissioner.

The party's leading candidate would be Mr David Andrews, a former foreign minister. But party strategists believe if he were to stand Fianna Fáil would almost certainly lose the subsequent by-election in his Dun Laoghaire constituency, thus forcing Mr Ahern to seek the support of yet another independent to get legislation through parliament.

Add to this the prospect of unforeseen early by-elections and all Ireland's parties are likely to be kept on their toes over the coming months.

John Murray Brown

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EUROPEAN NEWS DIGEST

'Ceasefire' in Corsica

The leading clandestine Corsican nationalist movement yesterday announced a temporary "ceasefire" in the wake of the election of France's new Socialist government. In a break with its tradition of night-time press conferences with armed, hooded militants, the FLNC – the National Front for the Liberation of Corsica – chose an interview in the local press to announce the truce.

The FLNC set none of the preconditions it has demanded in the past, including the release of a growing number of prisoners arrested during the previous government's clampdown this year. That has led to a renewed outburst of explosions for which the FLNC has claimed responsibility, including one on the town hall of Bordeaux, the mainland French city where Mr Alain Juppé, the former prime minister, is mayor. But the arrests have deprived it of many of its militants including several of its supposed leaders.

The Front also raised the possibility of independence for the island as only one of a number of ways in which its demands for greater autonomy for the Corsicans could be implemented. *Andrew Jack, Paris*

Romanian miners restive

The Romanian government yesterday cancelled trains and mobilised its riot police to forestall any move by striking miners to move on the capital, Bucharest, where they staged ferocious attacks in 1990 and 1991. Sixteen trains running through the Jiu valley north of Bucharest were cancelled, and six more diverted.

The miners are demanding a 45 per cent pay increase and guaranteed jobs, in the face of government promises to the International Monetary Fund and World Bank to shut down uneconomic state enterprises and slash the budget deficit. The government has offered a 15 per cent pay rise, and negotiations are continuing. The miners' union is reported to be ready to settle for 25 per cent. This would add around 103bn lei ($14m) to the state budget.

In June 1990 and September 1991, thousands of miners from the Jiu Valley invaded Bucharest and attacked reformist opponents of the then Romanian leader, Mr Ion Iliescu, killing seven. The trade union chief Mr Miron Cosma, who led the actions, is in jail facing trial for them. Some of the miners currently on strike are demanding his release. *Anatol Lieven*

EU agrees on 'spy-in-cab'

European Union transport ministers agreed yesterday to force new lorries and coaches registered from July 2000 to carry digital "spies-in-the-cab" to monitor drivers' speed and time spent behind the wheel. But ministers dropped plans to fit the new device in existing vehicles, meaning the new-style tachographs will not penetrate the EU vehicle fleet completely until the end of the next decade.

Before yesterday's meeting, Belgium, Greece, Spain, Ireland, Italy, Portugal and Sweden had blocked that option, mainly on cost grounds. But old vehicles needing replacement tachographs from July 2000 will have to fit digital devices rather than the old waxed disc design. *Reuter, Luxembourg*

Russia ex-naval chief accused

Russian military prosecutors have charged the former chief of naval general staff with abusing his position. Admiral Igor Khmelnov is accused of diverting funds meant for naval housing and development of Russia's far eastern naval base.

He and his relatives were among the recipients, it is claimed.

Admiral Khmelnov was sacked by President Boris Yeltsin in April after a case was opened against him. He is the latest senior officer to be the target of a government crackdown on corruption.

Mr Yeltsin last month lashed out at corruption in the armed forces. Prosecutor General Yury Skuratov said that his office was processing 18 cases against generals alone, including a deputy defence minister and the commanders and deputy commanders of the ground forces and Northern Fleet. *Reuter Moscow*

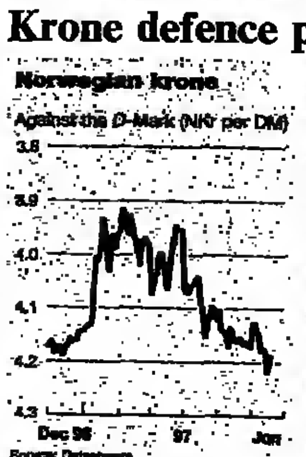
Bosnia settles debt problem

Bosnia has reached an agreement with the World Bank on servicing the its debt after failing to pay an $8m instalment on time. Mr Caio Koch-Weser, managing director of World Bank operations, said: "We expect the payment almost immediately." However, he gave no details of how the matter had been resolved.

Bosnia inherited a $2bn share of former Yugoslavia's debt and is currently servicing a consolidated $680m loan to the World Bank with regular six-month payments. It failed to make the $8m payment after the country's Serb entity said it could not cover its $3.8mn share.

Mr Haris Silajdzic, Moslem co-chairman of the central cabinet, indicated on Monday that the federation was ready to lend money to the Serb entity if the international community guaranteed repayment. *Reuter, Sarajevo*

Krone defence prepared



Norway's central bank signalled yesterday it was prepared to resume intervening in foreign exchange markets, reversing a decision five months ago to withdraw from exchange rate management. This followed vain attempts by the bank to hold down the value of its oil-boosted currency through a foreign currency buying spree which cost around NKr20bn ($2.7bn). The krone rose from NKr4.24 to the D-Mark to 4.188 in response to the move. The bank said future interventions would be confined to curbing short-term fluctuations in the krone's value, and would be on a limited scale. Foreign exchange market conditions are more benign now than early in the year, when a wave of speculation - driven by Norway's big budget and current account surpluses - propelled the krone sharply upwards.

Mr Leif Eide, central bank executive director, said speculators had found it more difficult than expected to buy and sell krone following the bank's withdrawal from the market. The krone has depreciated 4 per cent against the Ecu since the bank stopped intervening and has fallen 8 per cent in value against the currency since reaching a peak in early February. *Greg McIvor, Stockholm*

Swiss move to tighten law

Tighter Swiss laws on money laundering moved a step closer when the upper house of parliament approved legislation placing a duty on bankers to report financial transactions they suspect are tied to the illegal drugs trade or other Mafia-style criminal activity. "Up to now there was no obligation to report suspicious transactions, only a right to report," a finance ministry official said. Final passage of the law is expected shortly.

Switzerland outlawed money laundering in 1990, and in 1994 gave bankers the right to breach the country's legendary banking secrecy laws and report suspicious transactions. Under the new law, extended to all areas of the financial sector, bankers who do not report suspicious transactions can face heavy fines. *Reuter, Zurich*

Klaus says would-be European Union members are being discriminated against

Czech premier attacks EU association agreements

By Anthony Robinson and Robert Anderson in London

Mr Vaclav Klaus, the Czech prime minister, yesterday criticised the association agreements between the European Union and aspirant members such as the Czech Republic. He said they were partly to blame for rising current account deficits throughout central Europe.

Mr Klaus, whose government was recently forced to devalue the Koruna and introduce two austerity packages in as many months to correct a rising current account deficit, said the agreements meant to be in favour of the former communist states actually discriminated against them. He was speaking at the London school of Economics before delivering the annual Hayek Memorial lecture

"We need to look beneath the surface at indicators such as the size of subsidies and various export promotion schemes and non-tariff barriers in the EU countries and we see that, in reality, asymmetry favours existing members," be said.

"The empirical data, which shows large and growing visible trade deficits with the EU, confirms this."

A recent study by Deutsche Morgan Grenfell (DMG) estimated the Czech Republic ran up a $4.6bn trade deficit – equivalent to 8.6 per cent of GDP – last year and a $1.8bn deficit over the first

Rising current account deficits in central European countries are partly blamed on EU

four montha. This was before the April and May emergency paekages which included devaluation of the koruna, cuts in government spending and a public sector wage freeze. Most of the underlying trade deficit was with EU countries.

For eastern Europe as a whole, current account deficits have widened from an average 2.4 per cent of GDP in 1995 to a forecast 5.3 per cent in 1997 as rising growth and investment have sucked in capital equipment and rising real incomes have generated higher demand for cars and other western consumer goods, the DMG study said.

Mr Klaus, who as the finance minister of Czechoslovakia prepared three federal budgets before masterminding the "velvet divorce" with Slovakia in January 1993, also suggested EU countries now preparing for European monetary union would do well to study the Czechoslovak experience of running a monetary union under less than optimal conditions.

"Only l know how difficult it was in the final year to prepare e common budget with one eurrency when there were such divergent political and economic policies, at both the macro and micro level between the two parts of the federation," he said.

Mr Klaus said the Maastricht convergence criteria were all macro-economie indicators, but this was "just half of the story".

It was equally important to "ensure convergence at a micro level in key areas such as the quality and flexibility of labour and of corporate governance. All these things must be taken into account to ensure the creation of an optimum currency area," he said.

Mr Klaus, who narrowly avoided defeat in parliament over his economic policy earlier this month, admitted that the Czech economy needed tighter rules for corporate governance and regulation of financial markets.

More than six years of nominal currency stability and a one third rise in real ineomes had eroded the "twin cushions" of cheap labour and an under-valued exchange rate which had kept the economy competitive in the early stages of reform.

Rigidities and bottlenecks in labour and other markets had developed which also needed to be tackled, but he said unemployment, although still only 3.8 per cent, had risen by 50 per cent over the last 12 months.

Vaclav Klaus: Need to look below the surface of association accords Popperfoto

Turks in new move to bar Cyprus from EU

Ankara has enlisted the aid of leading British lawyer to rule out membership on legal grounds, writes Edward Mortimer

Turkey yesterday stepped up its campaign to stop Cyprus joining the European Union, on the very day the conclusion of the EU's 15-month inter-governmental conference in Amsterdam cleared the way for enlargement negotiations.

Two years ago, the EU committed itself to begin membership talks with Cyprus six months after the end of the IGC. Greece secured this concession as the price of its agreement to a customs union between tha EU and Turkey, which came into force last year.

Even so, Turkey at the time served notice of its objections, arguing that the Greek Cypriot government had no right to take the divided island into the EU without the consent of the Turkish Cypriots. Turkey even threatened to annex the northern two-fifths of the island, occupied by Turkish troops since 1974, if the Union admitted a Cyprus government which represented only one community.

Since then, Greece has threatened to veto EU enlargement into central and eastern Europe unless Cyprus is admitted at tha same time. Both threats are taken seriously by the US, and form the background to President Bill Clinton's recent appointment of Mr Richard Holbrooke, negotiator of the Dayton Accords on Bosnia, as his special emissary for Cyprus.

Turkey's latest move has been to obtain a formal legal opinion from a leading British lawyer, Professor Manrice Mendelson QC, who conclndes that Cyprns's accession to the Union would be incompatible with the Treaty of Guarantee signed by tha UK, Greece, Turkey and Cyprus at the time of the island's independence in 1960.

Ankara yesterday handed this opinion to tha British government, reminding it of its obligations botb as a guarantor power and as tha country which will hold tha EU presidency when enlargement negotiations are dne to start early next year.

The UK has given no official reaction, but Sir David Hannay, the British envoy on the Cyprus dispute, is said to have told both the Turkish government and the Turkish Cypriot leader, Mr Rauf Denktash, that legal advice recelved by Britain differs from that of Prof Mendelson.

Prof Mendelson contends that, in the Treaty of Guarantee, Cyprus undertook "not to participate, in whole or in part, in any political or economic union with any state whatsoever". The guarantor states (Britain, Greece and Turkey) undertook "to prohibit, so far as concerns them, any activity aimed at promoting, directly or indirectly.... union of Cyprus with any other state".

Cyprus bas previously rejected this argument on the grounds that Turkey and the Turkish Cypriots have tbemselves breaehed the 1960 agreements and constitution, and that the ban on union with other states "was not intended to apply in the case of Cyprus's joining an international organisation".

Prof Mendelson, however, qnotes the negotiating record of 1959 to show that at that time the British, Greek and Turkish foreign ministers all understood the agreement as banning Cyprus's membership even of a free trade association, unless both Greece and Turkey were also members.

Insurer tries to head off Israel boycott

By Norma Cohen in London and Avi Machlis in Jerusalem

Assicurazioni Generali, the Italian insurance giant, is seeking to head off a boycott of its newly acquired Israeli snbsidiary by proposing a compensation fund to make payments to heirs of its former policyholders murdered in the Holocaust.

Generali, wbich bought out the remainder of Migdal, the Israeli stete-owned insurer, faced boycott calls from key Knesset members after it appeared to renege on promises to open its files to Yad Vashem, the Israeli Holocaust memorial institute, and to establish a compensation fund.

However, Generali's gesture of a $12m compensation fund is considered too small by some Knesset members, who yesterday were pressing Generali for more money. Also, the deal, wblch was to bave been annonneed yesterday, requires the Knesset to agree tbat Generali never benefited from tbe Holocaust and has no legal obligation to pay proceeds of policies of Holocaust victims who lived in eastern Europe.

Generali, based in Trieste, was the market leader in the eastern European insurance market before the second world war. Its history as a Jewish-owned company gave it an even stronger market share among eastern European Jews, most of whom were murdered during tha war.

Generali has insisted that because its assets in eastern Europe were nationalised by Communist governments after the war, it has no legal obligation to pay policies. It bas also insisted that it never benefited from the Holocaust.

However, doeuments obtained by the Financial Times show that at least one country, Czechoslovakia, paid the Italian government a substantial sum to settle claims of "Itallan assets, rights and interests".

The agreement, signed in 1966, applies to assets which were "owned directly or indirectly, totally or in part, by persons having the Italian citizenship or by companies" based in Italy. In addition to a L2.6bn payment to Italy, the Czech government turned over shares in two Generall subsidiaries which it had in its possession.

Generali acknowledged it had recelved some payments from east European governments but said these were not in respect of assets which backed insurance policies.

Evidence has also emerged that Generali insured Nazi-run concentration camps. Italian press reports, citing German government archives, say that on 26 Octoher 1942, Generali agreed to partieipate in a pool wbich provided 3m zlotys of insurance for lodging and workers' barracks at a camp in Cracow, Poland.

Several months later, it provided 10 per cent of the 6m zlotys of insurance on an expansion of the camp.

Moscow launches big oil sell-off

By John Thornhill in Moscow

The Russian government is aiming to raise Rbs5,000bn ($865m) by selling big stakes in six state-owned oil companies in a series of auctions starting tomorrow.

The share sales will give renewed impetus to the government's privatisation programme, which has been dogged by controversy over recent months. They will also raise much-needed revenue for the government, helping it pay off its massive debts to pensioners and federal employees.

Last month, Mr Alfred Kokh, privatisation minister, said the government planned to raise Rbs15,000bn this year from sales of state assets against tha Rbs6,520bn target originally pencilled into the 1997 budget.

Oil industry analysts suggested the most likely buyers of the government stakes in oil companies for sale were other oil groups and the so-called financial industrial groups (Figs), which have coalesced around the country's biggest commercial banks.

Foreign companies are likely to be barred from the auctions although they may be able to buy shares in the secondary market in future.

Government critics have alleged that recent privatisations have given insider banks control of some of Russia's most valuable companies at a fraction of their real worth.

Even some government ministers have concedad that the shares-for-loans privatisations of 1995 were conducted in a poor manner enabling a handful of well connected banks to acquire huge packets of assets for a song. But Mr Anatoly Chubais, the first deputy prime minister, vowed recently that the forthcoming wave of privatisations would be conducted to tha highest standards and subject to legal challenge.

The most attractive of the six oil companies on the auction block would appear to be Norsi-Oil, one of the country'a biggest refineries, which has a strong grip on the lucrative Nizhny Novgorod market.

Lukoil, Russia's biggest privatised oil group, has already expressed an interest in acquiring the 40 per cent stake on offer although it may face competition from Tatneft, the dominant oil company in the central Russian republic of Tatarstan.

The other oil companies for sale include Vostsibneftegaz, Eastern oil company, Sibur, Tyumen oil company, and Komitek, which are all middle-ranking producers or refineries. The government will sell up to 51 per cent of these companies although the results of the auctions may not be known before the autumn.

In a separate announcement, the state property committee revealed there would be a further week's delay to tha proposed sale of a 25 per cent stake in Svyazinvest, the telecommunications holding company.

The government has set a minimum price of $1.2bn for this shareholding. Foreign companies will be allowed to participate in the auction although they may face difficulties in complying with some of its technical provisions.

● The government will launch bankruptcy proceedings against the Nizhnevartovskneftegaz oil and gas company, Mr Chubais said yesterday, AFX reports from Moscow.

UK bid for top Italian soccer club

By Patrick Harverson in London

Vicenza could become the first top Italian football club to fall into foreign hands if a bankruptcy court on Friday approves a British investment company's L22bn ($13m) bid for the Italian cup winners.

Stellican, a small London-based concern which specialises in acquiring troubled companies but with no previous involvement in football, has outbid two Italian consortia for the right to buy Vicenza from a group of local businessmen.

The club, which is profitable in its own right, was pnt up up for sale when its owners' assets were placed in receivership following the collapse of their textile empire.

The two other bidders bave offered L18.5bn and L16bn for Vicenza, which finished eighth in the top Serie A division last season and recently won the Italian cup.

Although Stellican has outbid its rivals, Mr Stephen Julius, its managing director, is worried that a foreign takeover could prove unpopular with fans and might affect the Milan court's decision.

"We put in sealed bids yesterday and we are clearly ahead of everyone else. But at this point what is of great concern to us is that people might see this as the English versus the local Vicenzini," he said yesterday.

Mr Julius said Stellican, which has close ties to the big US investment group Apollo, planned substantial in vestment in Vicenza. "We would like to redevelop the stadium, invest in new players and develop sponsorship and merchandising. We will start building an entertainment group around Vicenza, and it will all be for the benefit of the club."

Traditionally one of Italy's smaller clubs, Vicenza in recent years has climbed from the third division to the top flight. It has also kept a tight rein on its finances by controlling its wage costs and developing its own young players.

"It's a very interesting club with a good management team that has dnne very well. It is one of few clubs in Italy that is profitable," said Mr Julius.

Last season Vicenza, which has no debts, made a profit of L3.3bn ($1.9m) on turnover of L33.7bn ($19.7m). The stadium, which is owned by the local municipality, bolds 22,000 and attendances average 17,000 a match.

Stellican's bid is backed by a group of UK investors and include people with experience of the football business in England, said Mr Julius. "Within our group are people who know football extremely well."

However, he warned that Stellican was not interested in becoming involved in a bidding war for Vicenza. "The judge's main responsibility is to maximise the offer on behalf of the creditors. But we are the only professional investor group to have made a bid. The rest are local entrepreneurs. We are here to develop the club and nationality has nothing to do with it."

American places big order for regional aircraft

By Bernard Simon in Toronto and Jonathan Wheatley in São Paulo

American Eagle, the regional airline unit of American Airlines, yesterday announced it would buy 42 jets from Embraer of Brazil and a further 25 from Bombardier of Canada. The orders, worth $700m each, were announced at the Paris Air Show and illustrated the strength of the market for smaller 50- to 70-seater jets.

The Bombardier deal includes 25 orders and 25 options for the planned 70-seat version of Bombardier's Canadair regional jet (CRJ). Deliveries are due to start in 2001. The aircraft, known as the Series 700, is a stretched version of the existing 50-seat CRJ. The American Eagle order comes on the heels of orders and options for 75 CRJs placed earlier this month by ComAir, a Delta Air Lines affiliate.

Bombardier has notched up 284 firm orders and 223 options for tha CRJ since production began in 1992. The aircraft has enabled airlines, mostly in North America and Europe, to open routes that would be uneconomic with larger jets.

Its main competitor, the Brazilian-built Embraer 145, has a slightly narrower fuselage but a lower price tag. The contract with Embraer is for an initial 42 EMB-145 50-seat jets with an option for an additional 25. The American Eagle order is worth about $670m at today's prices, rising to $1bn if all options are exercised.

American Eagle stressed it is limited to operating 67 jets under e contract with the Allied Pilots Association. American's pilots did not want American Eagle to start flying jets because they feared it would cost jobs among pilots at the parent airline.

Embraer, which was privatised in 1994, is expected to begin delivery next February and complete the initial order by November 1999. Bombardier will make deliveries between the first quarter of 2001 and the third quarter of 2003.

The deal marks the consolidatim of Embraer's drive for competitiveness following privatisation – staff numbers have fallen to 3,600 from 12,500 in 1990 – and is expected to return it to the black in 1997 after seven consecutive years of losses.

The deal follows a contract signed last year to supply 25 EMB-145s to Continental Express and brings its total firm orders to 107 jets, worth about $1.6bn, with options for e further 219 worth an additional $3.3bn.

The company said it may hire more staff to enable it to meet the order. Production of the EMB-145, currently two units a month, would rise to four a month by September and six a month by next May.

US intolerance and distrust put a brake on trade treaty's success

Growing links between Tijuana and San Diego are frustrated by cultural differences. **Christopher Parkes** tells a tale of two cities

NAFTA

Bound by common economic and social interests, and separated by political and cultural differences, San Diego and Tijuana make uneasy neighbours. Both have been enriched by the 1993 implementation of the North American Free Trade Agreement (Nafta). Yet, while people and goods move in increasing volumes over the San Ysidro border, the political will to tighten the cities' links is governed by the ups and downs of relations between Washington and Mexico City.

Ms Susan Golding, mayor of San Diego, has emerged as a rare consistent voice. She has urged closer political collaboration, and has drawn criticism from Sacramento, California's state capital, for a mutual aid agreement in the event of natural or other emergencies.

She sees the political process being driven by the "natural" increase in economic integration and the increasingly Hispanic nature of the southern Californian population. But, she adds, the pace of change at the political level will be dictated by the differences between the neighbours' first and third world cultures.

By any conventional definition, the San Diego-Tijuana area is a single metropolitan area, the ninth largest in the Nafta region, according to San Diego Dialogue, an independent think-tank.

Although divided by an international frontier, the communities mingle unhindered. About 30,000 people, some 10 per cent of Tijuana's resident workforce, work in San Diego, and 10,000 San Diego workers commnte daily to Mexico.

A quarter of all border crossings are primarily for social visits, while Mexicans account for 10 per cent of retail revenues in San Diego shops, according to Mr Kelly Cunningham, research manager at tha Greater San Diego Chamber of Commerce.

There is a detectable frustration among many local observers, who agree that if closer political links are logical and even essential to deal with the region's infrastructural deficiencies, they are not necessarily inevitable.

"If you look at the alternatives for the region, [collaboration] would be an intelligent decision to make," says Ms Millicent Cox, San Diego Dialogue's senior economist.

"The border is not a dead end," says Mr Cunningham, and complains that political resistance to accepting it as a profitable avenne for exploration drains the region's economic potential.

Much of the obduracy, says Ms Cox, is rooted in a US "we-have-the-resources-and-they-don't" attitude, and mistrust of foreign cultures which extends far beyond the confines of San Diego's pleasant suburbs.

In Sacramento and Washington DC, the border region is often typified as a swarming ground for illegal immigrants and criminals. Yet, as Ms Cox has divined, illegal northbound border crossings in San Diego County represent a negligible proportion of the total.

Her latest data show 98.8 per cent of the estimated 4.7m travelling north last April were admitted legally. "It took me four years to get these findings accepted," she says.

She sees the need to change local and national US attitudes towards Mexicans and their culture as one of the region's biggest challenges, if only because a reputation for intolerance will deter investment by international companies.

But San Diego has other practical obstacles to overcome if it is to draw closer to its neighbour and exploit more fully the potential offered by Nafta. They, too, are mostly the US side of the border. Some have their origins in the historical political failures of the early part of the century, when the city failed to win federal backing for its attempts to build a trading seaport and get the railway – honours which fell to Los Angeles.

As compensation, the region won a place as the main Pacific coast staging post for the military, and prospered through the second world war, the Korean and Vietnamese conflicts, and during the years of the Reagan military build-up.

Cut off from the rest of California by the vast Camp Pendeleton marine base and training grounds to the north and from the US by mountains and desert to the east, San Diego evolved as peacaful, prosperons enclave. Bnt the war dividends shrank in the early 90s. Base closures and the effects of national recession drove unemployment up to 8.4 per cent in 1993.

Nafta's role in the subsequent recovery is solidly documented. Unemployment is now down to 4.3 per cent and gross regional product has risen 21 per cent in the intervening three years.

San Diego shipments of goods and services to Mexico have grown 66 per cent, according to the chamber of commerce, and more than 40 per cent of everything the city exports goes south. This makes Mexico more important for the local economy than the next 10 most important foreign markets combined.

Yet the potential for even more ambitious growth is being stifled by San Diego's infrastructural legacy, resistance in rival cities such as Los Angeles, and its own innate conservatism.

More than 90 per cent of trade volume is carried on trucks through overloaded road links. Only 6 per cent travels by ship from a deep-water harbour reserved mainly for the navy and cruise ships. The airport, spanning less than 500 acres, and hemmed in by housing, is too small safely to handle the Boeing 747 jets most commonly used on international flights.

"Everything that comes through San Diego, including tourists, has to come through Los Angeles first," says Mr Cunningham.

Efforts to ease road congestion, and open up tha port for trade from inland states, include a campaign for an estimated $120m-plus to restore the decrepit San Diego & Arizona Eastern Railway beyond its present terminal in Tijuana. But the project is hobbled by the fact that part of the track runs through Mexico.

This has roused opposition among certain southern Californian representatives in Washington, where their influence is inflated by anti-immigration, anti-drug and xenophobic tendencies.

Such forces also played a role in sidelining one of the most ambitious collaborative ventures yet attempted: a cross-border international airport. The plan to build a runway complex with terminals on both sides of the border stumbled over a clasb over who should erect and man the control tower.

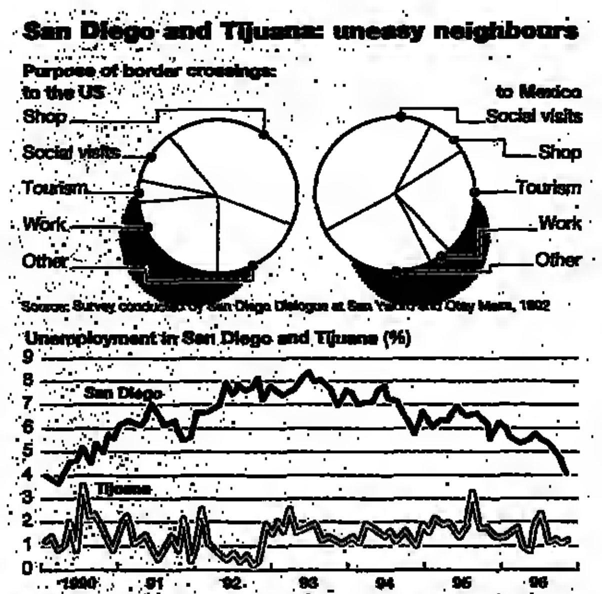
"If the decision lay between two first world countries, or between allies who had never been to war together, it would not have mattered so much," says Mayor Golding.

She and other local leaders expect such negative elements in the relationship eventually to erode as economic and racial integration continue. By 2020 the distinctions may have become so blurred as to be inconsequential. The formal frontier between the two communities remains firmly in place, but the socio-economic border is shifting southwards.

Taking relative income distribution as a guide, Ms Cox says San Diego/Tijuana is the only cross-border area where the middle class residents outnumber low income earners on both sides.

About half the population of both cities can now be classified as middle class, with 30 per cent ranked as low-income earners. Young Tijuana and San Diego professionals already have almost identical purchasing habits.

"The two cities are really very similar," she says. Both are geographically remote from the rest of their respective countries. "Tijuana is not really part of Mexico and San Diego is not really a part of the US."



This is the third article in a series analysing the effects of Nafta in the run-up to the Clinton administration's review of the trade pact, to be presented to Congress on July 1. The first two articles appeared on June 6 and June 11.

WORLD TRADE NEWS DIGEST

Airline denies Airbus deal

Mr Stephen Wolf, chairman of US Airways, said yesterday that his company had not made Airbus Industrie its exclusive supplier and that he was considering buying Boeing 777s.

US Airways last November placed an order for up to 400 single-aisle Airbus aircraft. Defenders of Boeing have claimed the order makes Airbus US Airways' sole supplier, and that Boeing is entitled to strike similar deals.

Boeing has been appointed exclusive supplier by three US carriers: American, Delta and Continental Airlines. Airbus says the deals are illegal.

Mr Wolf said the Airbus order would go ahead only if he was able to reach cost-cutting agreements with his unions. If agreement was reached, US Airways would buy at least 12 wide-bodied aircraft in addition to the 400 Airbuses. The wide-bodies would be Airbus A330s or Boeing 777s. *Michael Skapinker, Aerospace Correspondent*

US favours direct approach

Unilateral pressure on Tokyo to reduce its trade barriers is likely to prove more effective than complaints to the World Trade Organisation, according to a majority of US executives polled in a recent survey.

The poll of 204 executives in US companies doing business around the Pacific Rim was commissioned by the Washington-based Economic Strategy Institute. Most respondents believed Japan had made progress in reducing tariffs, but that US companies still faced unfair trade barriers.

However, Japan was not alone to blame – 39 per cent believed the US government was not doing enough to open the Japanese market. *Heather Bourbeau, Washington*

Moldova WTO plea rejected

Moldova's trading partners yesterday rejected its request to enter the Wnrld Trade Organisation as a developing country, but praised its efforts to liberalise its economic and trade regime.

Moldova, a former Soviet republic, told the first meeting of the WTO working party negotiating its accession terms that its economic difficulties justified "e certain flexibility" in complying with fair trade rules.

However, the European Union, US, Japan and Canada all urged Moldova to comply with WTO obligations from the outset. The EU and US also asked for a "standstill" on new trade measures inconsistent with WTO rules.

Moldova, which has a population of 4.5m, has already begun to introduce WTO-consistent legislation, and yesterday presented a plan to open its services sector to foreign competition. Officials said new laws were also pending on customs duties, foreign trade regulations and public procurement. *Frances Williams, Geneva*

Thai petrochemical project

Chevron Chemical of the US and the state-owned Petroleum Authority of Thailand (PTT) are teaming up to build Thailand's largest aromatic plant at a cost of $1.4bn. The project was approved by the Thai cabinet yesterday.

The petrochemical facility, projected to produce 675,000 tonnes of paraxylene and 600,000 tonnes of benzene annually, will be located in the same compound as Star Petroleum Refinery, a joint venture between PTT and Caltex, partly owned by Chevron. The plant will use naphtha from Star, PTT said.

Chevron will hold 60 per cent of the new venture and PTT 40 per cent. Two-thirds of the plant's production will be exported throughout the Asia-Pacific region, particularly to China, Korea, Malaysia and Taiwan. It is expected to earn the country nearly $500m a year in export revenues. *Ted Bardacke, Bangkok*

■ A joint venture between Leighton, the Australian civil engineering group, and Japan's Kumagai-Gumi has been awarded a HK$1.1bn (US$142m) contract to design and construct two aqueducts for the Water Supplies department of the Hong Kong government in the New Territories. Work is due to start immediately, and is set to be completed by the year 2000. *Nikki Tait, Sydney*

Music growth forecast in Latin America

By Alice Rawsthorn

The music industry is poised for dramatic sales growth in Latin America and eastern Europe over the next decade, as sales stall in North America and western Europe.

A report compiled by Market Tracking International, a research consultancy, for Music Business International magazine, expects music sales to increase by 167 per cent in Latin America and by 322 per cent in eastern Europe by 2005.

Geographic expansion has been one of the chief contributors to the recent growth of the music industry, which has enjoyed dnuble digit sales increases for most of the past decade, and had $40bn in retail sales last year.

Asia has been one of the industry's most fertile new music markets of the 1990s, reflecting the region's economic buoyancy and reforms of inward investment controls. India, Indonesia, Malayaia, tha Philippines, Taiwan and Thailand experienced double digit growth in local currency terms last year.

Latin America and eastern Europe seem set to show equally aggressive growth over the next few years, as economic conditinns improve and record companies step up efforts to curb piracy.

Music sales rose sharply in Latin America last year, particularly in Brazil, where some $1.39bn worth nf recordings were sold, 33 per cent up on the previous year. MTI predicts that 483m albums with a retail value of $6.7bn will be sold in the region during 2005.

Eastern Europe is set for even stronger growth, albeit from a lower base, assuming local authorities manage to thwart piracy. Some 349m albums with a retail value of $2.7bn will be sold in 2005, according to MTI. It expects particnlarly aggressive growth in the Balkan and former-Soviet states, with Russia tipped to becoma eastern Europe's largest market, selling $1.4bn worth of recordings in 2005.

The increased importance of these regions should accelerate the trend for record companies to be increasingly dependent ou stars popular in particular regions, rather than global megastars.

MBI Latin American Report and MBI East European Report; £595 each from MTI, 7 Archway Business Centre, Wedmore Street, London N19 4RU. Tel: 0171 263 1365.

East Asia and the Pacific lead world in travel

By Scheherazade Daneshkhu, Leisure Industries Correspondent

East Asia and the Pacific are poised to become the world's biggest regional supplier of travellers, the World Tourism Organisation says. The number of trips taken by people living there outstripped those taken by North American residents for the first time last year.

Travel from East Asia and the Pacific grew 8 per cent, higher than from any other part of the world, to 94m trips; North Americans made 92m trips abroad.

Japanese and Australian tourists headed those most likely to travel outside the region, but the emerging economies of China, Korea, Malaysia, tha Philippines and Singapore are producing most of the region's new international travellers.

"Mora than 5m Chinesa travelled abroad in 1996; their strong desire to travel, coupled with steady economic growth, could soon make China the dominant player in the region's tourism," said Mr Enzo Paci, the organisation'a chief of statistics. Just under half last year's trips by Chinese travellers were to Hong Kong. Macao, Thailand, Vietnam and Japan were other destinations.

Japanese outbound travel grew nearly 10 per cent to more than 25m trips. The US, Italy and France were the most visited long-haul destinations; within the region, Hong Kong, China, Korea and Singapore topped the list.

Travel to East Asia and the Pacific grew 9.3 per cent to 87m visits last year. But the organisation warned that the region's tourism growth rate could be held back by airport congestion.

Earnings from international tourism increased 9.8 per cent to $81bn. Receipts from China and Hong Kong totalled $21bn last year, making it fifth biggest tourism earner after the US, Spain, France and Italy.

Trends in outbound travel

Regions	Total trips abroad ('000) 1995	1996	% change 96/95
Africa	[illegible]	[illegible]	[illegible]
Americas	106,151	109,715	3.4
of which North America	89,391	92,300	3.3
Caribbean/Central and Southern America	16,760	17,416	3.9
East Asia/Pacific	[illegible]	[illegible]	[illegible]
Europe	309,787	315,802	1.9
Middle East	[illegible]	[illegible]	[illegible]
South Asia	4,374	4,580	4.3
World total	[illegible]	[illegible]	[illegible]

Source: World Tourism Organisation

هكذا من الاصل

■ Currency restrictions to be lifted ■ Privatisation speeded up ■ Budget deficit cut

Israel agrees sweeping finance reforms

By Judy Dempsey in Jerusalem

Mr Benjamin Netanyahu, the Israeli prime minister, yesterday agreed to introdnce sweeping reforma aimed at cutting the budget deficit, lifting foreign currency restrictions and speeding up privatisation.

The measures, unveiled after a two-day marathon session between Mr Netanyahu, Mr Dan Meridor, the finance minister, and Mr Jacob Frenkel, governor of the Bank of Israel (BOI), will be phased in next year.

Mr Netanyahu said he would liberalise foreign currency transactions, allowing institutional investors and Israeli funds to trade abroad as well as unhindered access to foreign currency accounts, all of which could pave the way for full convertibility of the shekel.

At the same time, he said it was agreed that this year's budget would be cut by as mnch as Shk600m ($175.7m) to bring the deficit down from 4 per cent of gross domestic product to 2.8 per cent this year.

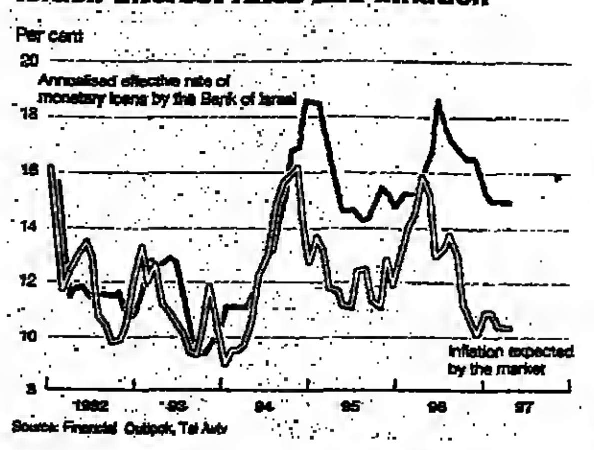
The ambitious plans, often talked about in recent months, disguise a conflict between the finance ministry's conduct of fiscal policy and the Bank of Israel's tight monetary policy.

Mr Meridor, at loggerheads with Mr Netanyahu over his style of governing, has insisted that in return for further reductions in the budget deficit, the bank should reduce interest rates. The prime lending rate is 15.4 per cent, while the rate for daily loans to commercial banks is 13.9 per cent.

His argument is that high interest rates are attracting foreign capital, which is pushing up the value of the shekel and threatening exports. For the first quarter of this year, exports of goods and services increased hy 13.5 per cent compared with the previous quarter, hut they were np just 6.1 per cent on the same period a year ago.

Mr Meridor believes that with inflation running at an annual rate of 9.5 per cent there is room for some slackening in monetary policy.

Israel: interest rates and inflation



Source: Financial Outlook, Tel Aviv

Herein lies the nnh of the conflict between the finance ministry and the central bank, a conflict in which Mr Netanyahu may well he forced to choose sides. It was partly this issue which prompted the prime minister to call a cabinet meeting last night.

Mr Frenkel is determined to keep inflation down, cutting it to between 8 per cent and 9 per cent by the end of the year. However, there has been a hig inflow of foreign exchange in search of high-yielding shekel investments. This has had the effect of increasing the money supply which, since December 1996, has widened hy about 19 per cent annualised. "This pace is out of line with the inflation target and real activity for growth for that period," asid Mr Gil Bufman, an economist.

This has prompted the BOI to intervene in the markets in an attempt to stem the rise of the shekel. Traders said the BOI intervened heavily yesterday, buying close to $500m to ease the upward pressure on the currency.

The shekel is tied to a basket of currencies and is allowed to trade in a band of 7 per cent above or below a declining line designed to devalue the Israeli currency by 6 per cent a year. The BOI wants to widen the bands.

Ecooomists said this would have the immediate effect of sppreciating the shekel. "Essentially, Frenkel is seeking an equilibrium for the currency," said Ms Daniella Finn, analyst at Ilanot-Batucha Investments.

The idea that the shekel would appreciate as a result of such a move has hardened the resolve of the finance ministry and the business community to oppose any such measure. They believe exports would be further hit, arguing that growth is already slowing – about 3 per cent this year compared with 7.1 per cent in 1995 and 4.4 per cent last year. There is also coocern about rising unemployment. It rose 1 per cent last month to an annual rate of 7.7 per cent this year compared with 6.7 per cent last year.

"It's quite clear that if the BOI wanted to curh the mooey supply and the inflow of foreign exchange it should first cot interest rates. This would also stimulate the economy," a finance ministry official said.

But hy last night, Mr Frenkel seemed determined to try to persuade Mr Netanyahu to support a new band structure and adhere to current monetary policy.

"Mr Netanyahu should make these tough decisions now and end the long conflict between the fiscat and monetary policy makers," a BOI official said.

"It's not only the bank which wants a clear strategy. The markets are tired of the uncertainty over econonmic policy. It's time for hard choices."

Editorial Comment, Page 11

Bid to relax ivory trade ban fails

By Tony Hawkins in Harare

Zimbabwe's President Mugabe: will sell ivory regardless

A South African compromise resolution allowing strictly-controlled trade in ivory and other elephant products was defeated by three votes at the Cites meeting on endangered species in Harare yesterday.

The three southern African countries – Botswaua, Namihia and Zimbabwe – pushing for the downlisting from appendix one, which forbids any international trade, to appendix two, allowing controlled trade, failed hy just three votes to secure the two-thirds majority required. A total of 75 of the 123 countries voted in favour of the Pretoria compromise with 41 voting against and seven abstaining.

The southern Africans needed 78 votes to secure downlisting under the Cites (Convention on International Trade in Endangered Species) rules. Under the South African compromise, the resumption of trade in elephant products and ivory would have heen accompanied by very tight quotas and controls from 1999.

Japan would have been the buyer of ivory products. Botswana would have been allowed an ivory export quota of 25.3 tons, Zimbabwe 20 tons and Namihia 13.8 tons.

There will be a vote on the main downlisting resolution today at which the southern Africans are again likely to lose, thongh with yesterday's defeat being so narrow, it is just possihle that some delegations will change their votes. Initial reaction from the downlisting lobby was one of disappointmeot at haviog got so close, mixed with irritation at the seven states that abstained.

European Union members are being blamed for abstaining on a technicality – namely the timing of a report of experts.

The fact that the three southern African countries pushed for a vote on the compromise resolution suggests that they expect to lose today. Zimbabwe has already said that regardless of the outcome of this week's votes it will go ahead and export ivory. It has already entered a reservation meaning that it can trade in ivory if it wishes, though this is dependent on an importing country – in this case Japan – being willing to lodge a similar reservation which, as yet, it has nut done.

● The meeting rejected contentious proposals by Japan and Norway to relax an 11-year han on commercial whaling.

They failed to win a two-thirds majority in a secret ballot on their bid to resume catches of various whale species which they say are abundant and not endangered.

This is the third time that Japan aod Norway have tried and lost their push for a relaxation of the embargo which Cites adopted after the International Whaling Commission (IWC) imposed a moratorium on commercial whaling in 1986.

'Rich turn back on growing tide of refugees'

Amnesty accuses west of forcing human rights victims into the arms of their persecutors

By Michael Holman

The numher of refugees fleeing human rights violations has almost douhled to more than 15m over the past 10 years and their plight is deepening, Amnesty International said yesterday.

"The international regime that is supposed to protect refugees is in crisis," warned the London-based agency in its annual report, saying there had been a "marked deterioration" in 1996 in the level of international protection for refugees.

"Countries which proclaim the importance they attach to human rights simultaneously force men, women and children back into the arms of their persecutors by obstructing access to asylum procedures, misinterpreting the UN Refugee Convention definition of who is a refugee and forcibly returning those who are in need of protection," says Amnesty.

The UN Refugee Convention and its Protocol "often prova inadeqnata because many eituations faced by refugees today are deemed to fall outside its terms. . . as the reasons why people flee their homes are becoming more complicated in a world beset by armed conflict, political instability and persecntion of one nationality by another".

Amnesty accuses the countries of the rich North of employing a variety of legal and administrative measures to obstruct and deter refugees from seeking asylum, increasing the hurden on the governments of the South, which host 85 per cent of the world's refugees.

In Africa alone, the report points out, there are 5m, one third of the world total, as well as at least 16m of the 25m to 30m people around the world who have been "internally displaced" – forced to leave their homes, though remaining within their country's borders.

The logistical, environmental and economic strains of the refugees on poor conntries are "enormons, and their governments are starting to coerce refugees to return to their countries of origin".

The report highlights the refugee crisis in eastern Congo, formerly Zaire, accusing forces loyal to the country's new leader, Mr Laurent Kahila, of massacring refugees from Rwanda and Burundi as well as displaced Zaireans.

The survivors "are in grave danger of continued human rights ahuses and they are not getting from states and intergovernmental organisations the full protection which is due to them", warns Amnesty.

Turning to Enrope, Amnesty reports that the refugee crisis that followed the break-up of Yugoslavia shows little sign of improvement: "One year after the peace agreement which brought an end to opep conflict, there has been little real progress towards establishing the durahly safe conditions which would allow refugees and displaced people to return to their homes.

In the Middle East, "mass human rights violations have forced countless people to flee their countries", while more than 50,000 people have been killed in political violence in Algeria since 1992.

Serious human rights violations were committed in virtually every country of the Asia Pacific region during 1996, according to the report.

Amnesty said it was concerned that the right to freedom of expression and associatioo could be severely curtailed in Hong Kong following its return to Chinese sovereignty on July 1.

It expressed particular worries over the proposed repeal by the incoming Hong Kong special administrative region government of 16 laws and amendments to nine others, including the hill of rights.

Amnesty, whicb campaigns for the abolition of capital punishment, reports that at least 4,272 prisoners were executed in 39 countries, and 7,107 people were seotenced to death in 76 countries.

Amnesty Internotionol Report, 1997, 99-119 Roseberry Avenue, London EC1R 4RE Fax: (44) 171 833 1510

Refugees and the west, Page 10

International hostility stiffens the resolve of Sudan's rulers

The country's military president has become noticeably more assertive since his nomination last year, writes Mark Huband

Sudan's ruling alliance of military officers and Islamist politicians will tighten its grip on power in response to international isolation, economic crisis and the shattering of political unity among the country's northern Moslems, according to political analysts.

A new constitution expected to be passed later this year will entrench the incumbent regime while giving some free expression to other parties as long as they abandon hope of real power.

Faced with implacahle hostility from the US at international donor meetings, and overt support by its neighbours for armed groups bent on overthrowing it, the regime is now reforming from within, as leaders of the military-religious alliance juggle for power.

Since his nomination as president in a tightly-controlled contest last year, aeven years after seizing power in a military coup, Lt.Gen. Omar Hassan el-Bashir has been noticeably more assertive, at the expense of Mr Hassan el-Tourabi, the leader of the National Islamic Front which rules in alliance with the military.

Mr el-Tourabi has increasingly been associated with failed foreign and economic policies which have led to Sudan's isolation.

"If the NIF were not in power, its support would be halved," said Mr al-Tayib Zain al-Abdin, a moderate snpporter of the NIF and long-time political associate of Mr el-Tourabi.

"There are people within the NIF who are not happy with what is going on."

Mr al-Abdin, a professor of political science at Khartoum university, said: "The government has lost support for its economic policies. Currency changes, limitations on withdrawals from banks giving tax inspectors the right to look into people's bank accounts – all these things, which have mostly been abandoned but are remembered – were criticised."

Its political direction has been forged by expediency rather than principle, its shifting alliances, and its response to the taste of absolute power since 1991 when it launched its Islamisation programme in alliance with the military coup leaders.

President el-Bashir: 'The military people are now more in charge than they used to be' Reuter

"At one time Tourabi was the strongest person in the government. It's no longer the case," said one NIF insider.

Recent behind-the-scenes support by Mr el-Tourabi for relief organisations, most of them Islamic, wanting to retain tax exemption on the SD4bn ($26m) worth of private business they conduct in Sudan, was insufficient to allow them to retain their exemption.

Despite some privatisation, economic policy-makers have found little comfort in the increasingly dogmatic political climate.

"We say to the minister of finance and the government that wa need to have better relations with the US, with the other western countries, and with the donors," said Mr Abdalla Hassan Ahmed, the governor of the Bank of Sudan. "They agree with that in principla. But they are a government in a certain political situation."

Tha changing complexion of the core power structure reflects the evolving crisis facing the regime.

Another disillusioned NIF insider said: "All the senior army officers are in [President] el-Bashir's camp. None of them is siding with Tourabi. Now the most-powerful decision-maker is the president.

"The military people are now more in charge than they used to be. They have taken some people from under Tourabi's umbrella," the NIF official said.

Sudan is now divided into two military camps. One allies the government with a group of southern factions – the United Democratic Salvation Front – with which it signed a peace agreement on April 21 guaranteeing southerners the right of self-determination.

The other camp – the National Democratic Alliance – links the government's opponents within the north, led hy Mr Sadiq al-Mahdi, the former prime minister, with Mr John Garang, leeder of the main southern military faction, the Sudan Peoples' Liberation Army.

The NIF retains its own well armed and well paid militia, which is responsible for political repression and continues to use torture as its main political weapon at government "ghost-house" prisons in the snhurbs of Khartoum, according to witnesses.

The pragmatism of those in power has led to accusations from religious conservatives – as opposed to the modern Islamists guiding the regime – that the government ratains only one aim, that of staying in power. A threat from within, coupled with the growing threat from outside, is what the regime is determined to pre-empt.

"There's no question of a coup in the army against the system," Mr el-Tourabi said in an interview. "Which way are tha officers travelling? All the officers believe in these principles," he said, an indirect reference to the fact that the senior army ranks hava been purged of dissenting voices.

"There may be some demonstrations. But they won't overthrow the system," Mr el-Tourabi said. Mr al-Mahdi would not be arrested if he were to return to Sudan, and, in accordance with the new constitution, he could return into opposition.

Whatever innovations the government may have in mind, Mr el-Tourabi does not foresee any change in the country's leadership.

"There's not a new generation coming up which is more secular," he said. "I feel that tha ideal of any leader is that he has an ability or influenca, that he should not remain separate and alone, but integrate and dissolve himself into society. I don't want to grow into a pope or an *imam*. If most of society becomes like me, that will be my success."

Electronics worries rise in Malaysia

By James Kynge in Kuala Lumpur

Ms Rafidah Aziz, Malaysia's international trade and industry minister, warned yesterday that the domestic elsctronics industry would have to move to a "higher technology plane" to remain competitive internationally.

Her warning comes after statistics last week showed a significant drop in electronics exports in April, raising questions over the competitiveness of one of Malaysia's export industries.

Consumer electronics and electrical machinery exports fell 15 per cent in April from the same month a year earlier. Office machine and data processing equipment registered a 22.6 per cent decline and telecommunications and audio equipment exports dropped 22 per cent. Overall, the country posted a M$2.1bn ($835m) deficit for tha month.

Analysts said the falling trend represented a decline mainly in value rether than volume of products shipped, meaning prices of some items have been cut. Overcapacity in overseas electronics markets was behind some of the price cuts.

There is concern that as prices of some goods fall the attractiveness of Malaysia as a manufacturing base could decline. Manufacturing productivity gains dropped to 5.7 per cent last year from 6.6 per cent in 1995. Wages in the manufacturing ssctor climbed 8.9 per cent in the same period.

Ms Rafidah said the way forward was to climb the value-added chain, so that wage costs become a less crucial determinant of competitiveness. Malaysia must start producing semiconductor wafers, she said. There is one government-sponsored semiconductor wafer plant in Malaysia, but it is not producing on an industrial scale.

Singapore, Malaysia's more advanced neighboor to the south, has been attracting the lion's share of semiconductor wafer investment in south-east Asia. Thailand, where labour costs are lower than Malaysia, has also seen a boom in computer-related manufacturing. But the outlook is not all gloom. Seagate, the US electronics manufacturar, has bean investing in disk drive capacity in Malaysia. Output from these plants should start to show in export figures later this year.

Green light for island project

By James Kynge

Undeterred by the financing problems other grandiose projects are encountering, Malaysia is gearing up for its biggest project to date – a M$30bn (US$12bn) scheme to reclaim and develop nine islands off the country's north-western coast.

Hock Seng Lee, a marine engineering company, said yesterday it had been awarded a project to reclaim a 2,800 hectare island on which an international airport and seaport are to be built. Plans are in hand to link the island to the mainland by a bridge for a fast train.

Other islands, situated 500 metres to 1km off the coast of the state of Kedah, are to be reclaimed later.

They are intended to become tourist resorts and industrial parks for the defence, aerospace and petrochemical industries, executives involved in the project said.

In all, 16,300 hectares are scheduled to be reclaimed. The overall developer of the project is Samudera Baru Darul Aman, a Malaysian company in which Mr Dennis Yee, executive chairman of the Hock Seng Lee group, has a 25 per cent stake.

The project is backed primarily by Mr Sanusi Junid, chief minister of Kedah, who claims Dr Mahathir Mohamad, Malaysia's prime minister, supports it. Kedah is Dr Mahathir's home state.

Mr Anwar Ibrahim, the acting prime minister and finance minister, who does not necessarily share Dr Mahathir's enthusiasm for mega-projects, has said the scheme needed an environmental impact assessment before it could go ahead.

It is not known how long the study will take.

Analysts were sceptical that funds could be raised for a project which did not seem essential. "Why do they have to reclaim islands when there is surely plenty of spare land in Kedah itself?" one analyst asked.

Investor sentiment has recently turned against a "national project" to build sonth-east Asia's biggest hydroelectric dam at a cost of M$13.6bn in the jungles of Malaysian Borneo. A M$1.46bn rights issue to help finance the Bakun Dam flopped this month.

The company planning to build what is claimed to be the longest building in the world, a 1.8km structure called "gigaworld", designed to snake over a muddy river in Kuala Lumpur, is also encountering difficulties in its attempts to raise funds, analysts said.

The main problem is that stock market sentiment has been fragile since March, meaning equity finance operations have often had lacklustre results.

Adding to the strain are the considerable fund-raising demands expected from the construction of a new administrative capital, Putrajaya, for M$20bn. The first phase of Putrajaya's construction is already under way.

Hotelier greed denied ☐ 8,000 rooms to spare ☐ Lengthy waiting lists dry up

Hotels are likely losers at HK party

By Louise Lucas in Hong Kong

For all the attendant Sino-British bickering, the biggest losers of facs as China resumes sovereignty over Hong Kong at midnight on June 30 may yet prove to be the hotels.

After months of griping about insufficient rooms to house the planeloads of handover visitors and boasts of mile-long waiting lists (and equally long room tariffs) the industry has performed a sheepish about-turn and admitted to 8,000 empty rooms on the most historic night in Hong Kong's calendar.

Mr Alan Wong, analyst at W.I. Carr, attributes the phenomenon to a mix of speculators buying up blocks of rooms as early as four years ago and hoteliers' greed. "Hotels were trying to gouge the public: they wanted packages of up to six nights at very high prices," he says.

But as the hoteliers see it, they are more sinned against than sinning. "There's no greed involved, even though it was very tempting," says Mr Thomas Axmacher, general manager of the luxury Regent Hotel and chairman of the hoteliers' trade body.

Rather than pushing up prices, boteliers say they have simply suspended all corporate discounts. Meantime, all sorts of goodies have been thrown into the packages – from silver tankards to cocktail parties – so it is difficult to make strict before and after comparisons.

"Empty rooms are quite a common occurenca with events of this magnitude, such as the Olympics and the handover" adds Mr Peter Borer, general manager of The Peninsula, the *grande dame* of the territory's hotels. "You end up having empty rooms because people double-book and make plans, and then panic."

Others trace the mirage of full occupancies back to the Excelsior Hotel, which was the first to launch its handover tariff of HK$1,997 (US$258) – but just for one night. Years later, when management started collecting deposits from takers they found their would-be guests dead, moved to new addresses, or simply having lost interest in the idea. The hotel has rooms available.

Empty hotal rooms are just one sign that the handover may not be the money-making bonanza a number of economists predicted last year. Shops and restaurants in particular are likely to feel the pinch from restrictions on mainland travellers over the handover period.

Mr Dong Tao, senior regional economist at Schroder Securities Asia, estimates that about 1 per cent of Hong Kong retail sales could be lost as a result of measures taken by Beijing to quell cross-border visitor flows between June 1 and July 15.

Chinese tourists, who made up 18 per cent of last year's 11.7m visitors, are the biggest spenders after the Japanese, and spent HK$15.2bn in 1996. This equates to 6.8 per cent of Hong Kong's total retail sales, and Mr Tao adds 5 per cent again to rsflect the money spent by Hong Kong residents entertaining their mainland friends, relatives and business associates.

However, while the withdrawal of mainland spending is expected to be a temporary affair, the hotels could suffer a handover hangover well into next year.

"I think 1998 will be a flat year," says Mr Liam Lambert, general manager at the Mandarin Oriental, one of the territory's glitziest hotels. Like the Peninsula, the Mandarin is full over the handover, when it will be playing host to Baroness Thatcher, Britain's former prime minister, who signed the Joint Declaration in 1984 that started the handover ball rolling.

The Peninsula's Mr Borer agrees, and reckons over-exposure will be partly to blame: "Even the little hinterland newspapers are full of Hong Kong: it makes a fantastic story because there are no wars. I regret that over-exposure very much."

Mr Wong also sees a tendency for certain visitors to avoid Hong Kong once it is part of China. In Japan, for example, a travel agency is busily promoting Hong Kong as a British colony. Afterwards, there are fears that sensitivities could flair up – especially in this 60th anniversary year of the Nanjing massacre, when the Japanese stormed into China, and in the wake of the recent conflict over the Daioyu islands.

As befits the chairman of the Hong Kong Hotels Association, Mr Axmacher is far more optimistic: the new airport opening next April will bring in twice as many tourists and businessmen, he says, and the 12 new hotels now under construction will be a necessary addition.

As to the current 8,000 empty rooms, or 23 per cent of the territory's total inventory? "There's always a last minute pick-up, so there's nothing to worry about," be smiles.

Governor Chris Patten reacts to a missing shot at a game of ping-pong with a student during a school visit yesterday AP

Democrats plan to protest at handover of Hong Kong

By John Ridding in Hong Kong

Hong Kong's biggest pro-democracy party yesterday announced plans to stage a protest in tha territory's legislature during ceremonies marking the return to China at the end of the month.

News of the move, which may prompt a showdown with officials, followed a decision by authorities to bar plans for a rally on the day of the territory's return to China.

It came amid another setback to pro-democracy groups as the future administration appointed representatives to local government bodies.

Mr Yeung Sum, vice-chairman of the Democratic party, said members would attend the ceremonies marking the handover at the end of the month.

But he said they would then return to the Legislativa Council building to make speeches of protest against plans to replace the legislature with a Beijing-backed body.

The Democrats, the largest group in the existing legislature, refused to seek seats in the post-handover body. They believe it has no legal basis and are mounting challenges in the courts.

"Tha whole message for the programme is that we support China's resumption of sovereignty over Hong Kong but that we will keep fighting for democracy," said Mr Yeung.

The Urban Council, a local government body, earlier rejected a request by the Alliance in Support of the Patriotic Democratic Movement in China to stage the first rally under Chinese rule.

The council rejected the application for the rally on the grounds that a pro-China women's group had already planned a carnival in the same location, Victoria Park.

"You can imagine that it is purely political censorship to block the Alliance from using Victoria Park," said Mr Fred Li, a legislator from tha Democratic party. "That has really hurt the council's image."

Ths rejection of the application came as the government-in-waiting said it would leave in place existing members of local government in municipal councils and district boards. However, pro-democracy parties reacted angrily to the announcement that more than 100 new appointed seats would be installed in local government. The new seats are dominated by pro-Beijing groups.

"It is a very bad message to the whole world that Hong Kong is going backwards in terms of democracy," said Mr Yeung.

Mr Chris Patten, Hong Kong governor, also criticised ths move.

"Nobody argues that the present district boards work badly. They work extremely well... They are going to be joined by peopla who haven't been elected. It is a curious sort of democracy," he said.

ASIA-PACIFIC NEWS DIGEST

Manila budget target missed

The Philippines posted a budget surplus of 4.9bn pesos ($186m) for the first five months of the year, falling short of the government's target of 11.3bn pesos and the 12.6bn pesos recorded for the same period last year, according to the Burean of Treasury yesterday.

Government revenues totalled 179.8bn pesos against expenditure of 174.9bn pesos. News of the budget surplus – Manila has run one for the past two years – accompanied positive news on the trade deficit which fell 35 per cent to $860m in April year-on-year, according to government figures. The National Statistics Office said the total trade deficit for the first four months was $3.75bn, 5.9 per cent down from $3.99bn last year. The improved trade deficit comes as good news for government economic planners, among criticism from some analysts of the rigid foreign exchange rate with the dollar.

Separately, the government yesterday formally requested an extension of its three-year borrowing programme with the International Monetary Fund which expires on June 23. Congress has failed to pass the final portion of the comprehensive tax reform programme, the last big obstacle to graduating from the IMF's tutelage after 23 programmes in 35 years. *Justin Marozzi, Manila*

Narayanan set to be president

Mr K.R. Narayanan, India's vice-president, is favourite to be next president after winning the support of the ruling United Front and Congress party. Nominations close next week ahead of the election of the country's 11th president on July 14 by an electoral college comprising national and regional MPs. The UF and Congress have the greatest weighting in the electoral college and their endorsement of Mr Narayanan late on Monday means his election to the top ceremonial job is now a formality.

If Mr Narayanan is elected he would be the first president from the backward classes, a significant development in the 50th year of India's independence. An estimated 75 per cent of the 960m people are from the backward classes, formerly known as untouchables. Dr Shankar Dayal Sharma, the departing president, is a high-caste brahmin. *Khozem Merchant, New Delhi*

Taiwan reunification pledge

Taiwan's foreign minister yesterday reasserted his government's commitment to eventual unification with rival China, on the eve of Hong Kong's transfer to Chinese sovereignty. Mr John Chang appeared to adopt a conciliatory tone toward China, amid protests from Beijing at his visit to the US, in spite of Taiwanese military exercises scheduled to be held early next week in a display of defensive firepower against a potential Chinese attack.

Beijing views Taiwan as a renegade Chinese province and refuses to rule out the use of force to recover it.

Mr Chang appealed for backing from the international community for Taiwan's cause. "It takes time, wisdom, patience, and most important of all, world support, to persuade mainland China to take us as her equal... there is no easy walk to reunification," he told the Los Angeles World Affairs Council, a civic group. *Laura Tyson, Taipei*

UK names envoy to Beijing

Britain has appointed Mr Tony Galsworthy, 52 (*pictured right*), as its ambassador in Beijing. He will replace Sir Leonard Appleyard, who has served in the Chinese capital since 1995, in December. Mr Galsworthy, former senior representative on the Joint Liaison Group dealing with Hong Kong's transition to Chinese rule, has served in Beijing twice before – in ths early 1970s and 1980s. A fluent Chinese speaker, Mr Galsworthy will come to China as ambassador at a relatively young age. His present post is as one of the Foreign Office's three deputy under-secretaries. He headed tha Foreign Office's Hong Kong department in 1984 at the time of the Joint Declaration which cleared the way for Sino-British negotiations on details of the colony's return to China's control. *Tony Walker, Beijing*

Vatican warning to China

The Vatican has issued a thinly-veiled warning to China to respect the rights of Catholics after next month's hand-over of Hong Kong. The warning came in the form of a dossier prepared by Fides, the agency in the Vatican's ministry for overseas missions, and highlights the freedom of worship enjoyed by Catholics in Hong Kong compared with the frequent persecution of their co-religionists in China. The Vatican is reportedly concerned that, even though China is committed to the principle of one nation, two systems, Hong Kong Catholics risk being in an exposed position since many are members of the Democratic party. The church is also active in social work in a way which has never been tolerated in China.

The Fides dossier says the Holy See has received unofficial reassurances Peking will not interfere in the nomination of bishops in Hong Kong or in the local church's relations with Rome. *Robert Graham, Rome*

Taiwanese currency hits eight-year low

By Laura Tyson in Taipei

Taiwan's currency slid to an eight-year low yesterday amid signs that the island's monetary authorities may be happy to see a weaker currency to hslp to bnoy exports.

Spurred by strong commercial demand for the US dollar, the Taiwan dollar closed at 27.917 against the US currency, the lowest level since January 7, 1989.

The central bank has not given any indications of a target level, but economic analysts belisve the bank will not allow the local unit to fall below T$28 to the US dollar.

Several factors are said to be behind the currency's gradual downwards trend, both internal and external.

A ban on exports of pork declared in March due to an outbreak of foot-and-mouth disease on Taiwan's pig farms saw exports cut by nearly US$150m a month, helping reduce demand for Taiwan dollars from exporters.

Uncertainty surrounding Hong Kong's approaching transfer to Chinese sovereignty may also have had an impact on the currency.

Central bank officials cite unusually high capital outflows in May as the main cause of what they believed was a temporary decline in the currency's value. Foreign portfolio investors on the stock market remitted a net US$436m out of Taiwan last month as sbare prices appeared to stabilise following big gains in the early part of this year.

"If there is no [further] outflow interfsrence, the room for depreciation of the Taiwan dollar is limited," said Mr Hsu Chia-tung, deputy central bank governor, in an apparent effort to stem the slide.

But analysts pointed to the falling trade surplus and a balance-of-payments position that may go from surplus in the first quarter into a deficit in the second quarter. Both these factors exert downward pressure on the domestic currency.

Internally, the real economy remains weak and, given the limited success of government policy efforts to stimulate the economy through lower interest rates and looser liquidity, the only engine to stimulate growth is exports.

"The central bank is bappy to see a weaker Taiwan dollar," said Mr Stephen Wang of HSBC James Capel. "But 28 is the bottom line."

Japan and South Korea are Taiwan's main competitors in the important electronics sector. A weaker currency would make Taiwan products more attractive, Mr Wang said. The Taiwan dollar has fallen nearly 15 per cent against the Japanese yen since the beginning of May.

Exports to the US, Europe and Hong Kong and China are up on last year, rising 8.8 per cent, 7 per cent and 4.6 per cent in the first five months of this year. But exports to Japan – which maintains a persistently high trade surplus with Taiwan – suffered from last year's yen gains and this year's pig disease crisis.

Cohen 'to study latest Gulf war sickness claims'

By Bruce Clark in Washington

Mr William Cohen, US defence secretary, has pledged to look carefully at the latest allegations in a row over illness among Gulf War veterans, though the charges could mean further embarrassment for the Pentagon.

Mr Cohen, on a tour of the Gulf region, also denounced the testing by Iran of Chinese-made anti-ship missiles, while insisting the US would not be the instigator of any clash with Tehran.

Fresh recrimination over the physical and psychological disorders suffered by thousands of Gulf war veterans has been triggered by a report from the General Accounting Office, a fact-finding arm of Congress, which found "substantial evidence" poison gas was a factor.

Leaked in part to the press, a draft of the GAO report said there were "unanswered questions" about the veterans' possible exposure to aflatoxin, a biological agent, in the 1991 conflict.

The study was instantly denounced as a rehash of existing scientific data by investigators now working for the Pentagon and the White House, who had themselves been critical of earlier negligence in high places.

Last month, the Pentagon and Central Intelligence Agency asked former Senator Warren Rudman to "find the facts" on chemical weapons exposure after both institutions came under fire from a panel set up by President Clinton. "I think we need more evidence... and we will look very closely at the GAO report," Mr Cohen said while on his Gulf tour, adding he himself was critical of the Pentagon's record.

Bickering between the Pentagon and CIA, during which both agancies have changed their story, focuses on who was to blame for failing to warn US commanders of the likely presence of poison gas at Iraq's Khamisiyah facility, destroyed by US troops in March 1991.

The CIA has been forced to concede it did a poor job of processing data about Khamisiyah: the Pentagon has been forced to abandon its earlier claims that virtually ruled out chemical weapons exposure among US troops.

The American Legion, which has championed the sick veterans' cause, said the focus on chemical weapons could be a red herring. More work was needed on the effect of oil well fires and vaccines given to US troops to ward off poison gas effects.

Mr Cohen has used his Gulf tour to reiterate the US administration's policy of "dual containment": hemming in Iraq and Iran and preventing them regaining economic or military strength. A Saudi suspect in a bomb attack on US servicemen in Saudi Arabia is expected to be extradited from Canada to the US this week, refocusing attention on US threats to punish Iran if found to have been involved.

Even some of the strongest advocates of tough US action against Iran are urging the administration to give President-elect Mohammad Khatami a chance to prove his reputation for moderation. Mr Cohen, citing the testing of anti-ship missiles, accused Iran of continued interest in obstructing commerce and intimidating neighbours.

He was careful to leave the administration the option to reward more moderate behaviour by Iran, or take action if a "smoking gun" is found in the bombing investigation.

Mexico to repay $6bn sovereign notes

By Leslie Crawford in Mexico City

Mexico yesterday announced it would repay, ahead of schedule, $6bn of sovereign notes that fell due over the next three years, in a further indication of its success in tapping cheaper, longer-term finance in the international capital markets.

The $6bn floating rate notes were issued in August last year to clear Mexico's peso crisis debts to the US Treasury ahead of President Ernesto Zedillo's first state visit to Washington. The notes were backed by Mexican oil exports.

Since the start of the year, however, Mexico has taken advantage of a benign international environment to refinance foreign obligations on more favourable terms.

It has raised $590m of five-year bonds in Japan, $290m of 20-year bonds in Italy, and $490m of five-year sterling bonds in the UK, as well as a $200m syndicated bank credit which will be repaid over seven years.

Other capital market operations have raised $930m.

Foreign capital flows have been so strong that the Bank of Mexico added $8.6bn to international reserves in the first five months of the year. In January, the cautious central bank had estimated that international reserves would rise by only $2.5bn for the whole of the year.

Mr Martin Werner, deputy finance minister, said the $6bn floating rate notes would be repaid in full on August 6 with the monies obtained so far this year and an additional $2bn to be raised in the coming weeks. Mexico yesterday launched a $1bn five-year bond which is expected to be priced over the coming days.

"The pre-payment of the notes is a crucial transaction for us," Mr Werner said.

"They represented the most expensive amortisation we faced over the next three years. The payment also liberates the oil export earnings which were tied up as collateral."

Mr Werner said the refinancing operations would reduce debt repayments on the market portion of Mexico's foreign debt to an average of $935m between 1998 and 2000, against the $30bn it paid during the financial crisis of 1995. The figure excludes payments to multilateral institutions such as the World Bank, the Inter-American Development Bank and the International Monetary Fund.

In the first quarter of 1997, the cost of servicing Mexico's $93bn public foreign debt totalled $11.3bn.

Mexico still owes the IMF $9bn of the emergency funds it received in 1995 to stave off default. Finance ministry officials say the debt will be repaid over a number of years.

Aggressive marketing is bringing a new professional league to America's TV. **Tracy Corrigan** reports

Women's basketball seen as next commercial sport

Star promotions: Lisa Leslie of the Los Angeles Sparks (left) and Rebecca Lobo of New York's Liberty, both in the Women's National Basketball Association

The 60m Americans who watched last week's National Basketball Association finals between the Chicago Bulls and the Utah Jazz – the biggest television audience in the league's history – were also treated to an aggressive marketing campaign. In the frequent breaks of play, glossy shots of long-legged women ducking and weaving touted the start of a new professional women's league on Saturday.

The Women's National Basketball Association, or WNBA, is the latest attempt to give women a commercially successful league of their own, and it has the marketing might and financial muscle of the NBA, the big men's league, behind it. Although the amounts of money involved are still small, this is the first time that the launch of a women's league has been greeted with the hype and fanfare normally reserved for men's sports or Hollywood movies.

"It is well financed, well thought-out and well sponsored," according to Mr Dick Friedman, a basketball specialist at Sports Illustrated, the US sports magazine. "If it fails, it's a really bad sign" for professional womens' sport.

There are 12 big sponsors so far, including Nike, General Motors and Lee Jeans, in deals worth as much as $10m each over three years, according to industry sources. Most sponsorships involve a product tie-in – for example, Coca-Cola's POWERaDE is the league's official sports drink of the WNBA.

Mr Scott Jacobson, a Coca-Cola spokesperson admits that the women's game is "kind of an unknown... This is an example of what happens when you have a good marketing relationship."

Unusually, all the television advertising is being sold to the sponsors, "because we could charge a premium to those who will have promotional rights," said Mr Rick Waltz, chief marketing officer at the NBA.

The WNBA is not the first try its hand at a professional women's league in one of America's favourite team sports. In fact, another women's league, the American Basketball League, has just finished its first season and secured fresh venture capital. But the ABL has focused on small, secondary markets such as Richmond, Virginia and Columbus, Ohio, where sports fans do not have the opportunity to attend the top men's games. Still, its first season, which ran concurrently with the men's, exceeded expectations, with average crowds by the end of the season above 4,000. According to their own surveys, approximately two-thirds of ABL fans are women.

The WNBA, on the other hand, is trying to take advantage of a summer lull in US team sports. Its season will run for 10 weeks, when its only competition is baseball. And it has secured national television coverage on three stations, designed to net different target audiences – the mainstream NBC network, Lifetime, a women's channel and ESPN, a specialist sports channel.

"We think the overriding factor will be exposure on national television. When we looked at the sports television calendar, we quickly came to the conclusion that the best opportunity was (the summer)," said the NBA's Mr Weltz.

To some Americans, though, the summer season labels the league as a minority or "alternative" interest. "They are treating it in a whimsical way by putting it on in the summer months," says Mr Harvey Araton, the New York Times sports columnist. But, he admits, it makes business sense.

"The only time they could get prime-time space was in the summer months. They've used all of their marketing might and influence with television partners to get what amounts to pretty good exposure for a new, unproven venture."

Beyond heavy marketing, though, the WNBA has to capture the public imagination. The men's professional game languished for years until the intense rivalry between a black player, Magic Johnson, and a white player, Larry Bird, gripped the nation in the early 1980s. Both had come out of the college basketball circuit.

The WNBA marketeers are hoping that a similar dynamic will help boost the women's game. The growing popularity of women's college basketball has provided a fresh impetus for the women's game.

Two years ago, the University of Connecticut had a dream season which caught the attention of sports fans, and aroused interest in players such as Rebecca Lobo, the Olympic gold medallist who will play for the WNBA's New York Liberty team.

For the moment, the gap between the men's and women's game remains vast. In the NBA, which had revenues of $1.3bn this season, the average player now earns around $2m for a 82 game season, according to the NBA. No woman in the WNBA will earn more than $50,000 for 28 games.

Tobacco groups face healthcare order from British Columbia

Government expects to pass law before autumn to make it easier to sue companies if they refuse to contribute to costs

By Scott Morrison in Vancouver

British Columbia haa demanded that tobacco companies help to pay for healthcare costs incurred by smokers or risk facing what would be the first provincial lawsuit against the industry in Canada.

Adding weight to its threat, the province has introduced lagialatlon, expected to be passed before antumn, that would make it easier to sue the companies. The legislation would enable the government to launch a class-action suit on behalf of individuals and it would reduce the burden of proof required in such a suit.

The province appears to be following the lead of at least 30 US states that have launched lawauits against tobacco companies.

Tha states' attorney-generals are now in negotiations with industry representatives to reach a settlement. British Columbia, however, is trying to settle with the industry before launching a lawsuit, which could take at least one year to reach the courts.

The government has not specifiad the amount it is seeking from cigarette companies, hut said tobacco-related illnesses cost the province C$500m ($362m) in healthcare costs every year. Smoking killed an estimated 5,800 British Columbia residents and 40,000 peopla across Canada last year.

The campaign is likely to he the first of saveral attempts by provincial governments to wrest money from the industry. At least five other Canadian provinces have been considering legal action against tobacco companies and could soon follow suit. The provinces appear to have a mnch sounder basis for suing than their US counterparts. While US states contribute substantially to the federal Medicaid assistance program, each provincial government oparates its own haalth insurance plan and extensive publicly-funded healthcare system.

The prospect of a massive campaign against cigarette companies appeared to concern industry leaders, who denounced the initiative as a tax grab. Mr Robert Parker, president of the Canadian Tohacco Manufacturers' Council, said anti-tobacco bills would be resisted by all legal means.

Mr Parker said governments wara the biggest tobacco merchants of all, and claimed that British Columbia netted C$500m in tobacco taxes last year.

BC'a lawsuit threat was accompanied by demands that tobacco companies stop targeting minors and reveal all they know about the health effects of tobacco.

Threat to food safety standards

By Nancy Dunne in Washington

International harmonisation of food standards could lead to lower US food safety standards and require imports of foods now banned by Washington, according to a report by the Washington-based Centre for Science in the Public Interest.

The most immediate threats to US food supply, the report says, are rules under consideration by the Codex Alimentarius Commission, a subsidiary of the UN's Food and Agriculture Organisation. Most Codex standards are lower than those of the US and many other industrialised countries, and industry trade groups have been able to influence its rule-making.

The US could be forced to abide by Codex standards if its tougher regime is successfully challenged in the World Trade Organisation.

This could lead to the US importing unpasteurised dairy products, unsafe meat, unlabelled bottled water, and foods containing dangerous additives or lead, the report says.

US could be forced to abide by Codex standards if its regime is successfully challenged in World Trade Organisation

The US is by no means the leader in every area of food safety and consumer protection, and harmonisation could force the US to raise some standards. A proposal put forward by Canada – and opposed by the US – to list hazardous herbal products creates an opportunity to shield the American public in an area where US regulators have not acted.

The report notes that representatives of the Food and Drug Administration to the Codex Committee on Nutrition and Foods for Special Dietary Use had "inexplicably" failed to take advantage of this opportunity to protect the US public from such harmful herbs as ephedra, chaparral, and comfrey. "It is noteworthy that the US delegation to the Codex committee meeting did contain numerous observers from US trade associations and pressure groups representing the viewpoint of the dietary supplement industry, but did not contain a single observer from any US consumer protection organisation," it said.

Tha report recommends that, since Codex standards have "legal significance" in the US, Washington no longer agrees any new Codex standards that are weaker than US regulations.

It also should instruct US delegations to fight against new agenda items which might weaken US regulatory requirements.

Electronics groups attack government proposals for regulating encryption

Code-breaking plan condemned

By Alan Cane

UK and US electronics companies have condemned UK government proposals that would enable security services to decipher coded electronic messages from terrorists and drug barons as "unworkable, unneeded and frankly unacceptable".

They are concerned that measures to trap wrongdoers could lead to substantial difficulties and extra expense for people legitimately using coding techniques – which means everybody from banks to individuals sending confidential messages over the internet.

In a harsh response to a consultative paper put forward by the Department of Trads and Industry in March, the Business Software Alliance and the British Interactive Media Association warn the proposals could stifle innovation by spreading the regulatory net far wider than reasonable.

Mr Evan Cox, European Counsel to the BSA which represents most of the world's large software houses including Lotus Development, Microsoft and Novell, said: "The DTI's proposals could cripple the growth of electronic commerce in the UK."

Mr Sean Nye, an executive member of BIMA which has more than 200 members including Bates Dorland, Futuremedia, Sahara, Philips and Sony, said: "In an age where personal data and information is increasingly threatened with unwanted and unwarranted exposure, the DTI's proposals are a major step backwards."

The row is over encryption, a way of encoding electronic messages travelling over computer networks so they cannot be read by anybody other than the intended recipient. Governmsnts world-wide are concerned that their security agencies are not able easily to decipher coded transmissions from large-scale criminal organisations.

In the US, there is controversy over government plans to allow only encryption methods to which the security agencies hold the key.

The DTI proposal envisaged the UK adopting a mandatory licensing scheme for "trusted third parties", companies to whom encryption users would be willing to entrust a copy of the key to their encryption methods.

In the case of suspected wrongdoing, the police or other agencies would be able to obtain a warrant giving them access to the key and enabling them to read the suspect transmissions.

The BSA and BIMA point out that under the proposals all organisations wanting to offer encryption services in the UK would have to be licensed. They say that criminals would avoid the DTI scheme leaving honest suppliers and customers paying for a costly and inflexible system.

The attitude of the UK's new Labour government to encryption is not yet known. Ths party's election manifesto favoured a voluntary scheme.

Microsoft in $98m boost for high-tech

By Nicholas Denton

Microsoft, the US computer software giant, plans to invest a total of £60m ($98m) in a boost for the high-tech aector in the Cambridge area, 80km north of London. The investment consists of £10m in small high-tech companies and £50m to build a new computer science research laboratory in association with the university.

The company yestsrday confirmed plans for its first research centre outside the US, and said it would seek through venture investments to profit from the innovation it stimulated.

"We think that our lab is going to stimulate a lot of entrepreneurial activity in Cambridge, and why shouldn't we benefit from that?" said Mr Nathan Myhrvold, chief technology officer and a close adviser to Mr Bill Gates, founder and chairman of Microsoft.

Microsoft will invest £5m in Amadeus I, a new venture capital fund supported by Mr Hermann Hauser, founder of UK companies sucb as Acorn Computsr and Advanced Reaearcb Machines. It will also back individual start-ups.

Venture capital investing, undsrtaken by computer companies such as Intel and Adobe Systems to stimulate demand for their products, is a new departure for Microsoft, whicb typically takes control of companies in which it invests.

Microsoft, while not altering its policy, believes it can encourage in Cambridge the interaction of scientists and entrepreneurs that exists around US universities such as Stanford.

"Entrepreneurial fever only makes Cambridge a more attractive place," said Mr Myhrvold. "We are betting on Cambridge, both in investing £50m in the research centre and investing £10m in new ventures."

The support for UK high-tecb start-ups was disclosed as Microsoft said the basic research lab it planned in Cambridge would receive about £50m over five years and employ about 40 research professionals.

Meanwhile, Hitachi, the Japanese electronics company, yesterday announced a communications technology project which will take to £10m their total research spending in collaboration with Cambridge University.

Microsoft's research in Cambridge is expected to focus on aspects of computer science such as the cataloguing, indexing and retrieval of digital content such as pictures and text.

The UK-based lab, which will allow Microsoft to tap scientists from European Union countries without confronting US immigration rules, may be followed by other regional centres.

"It is very difficult to be successful if you scatter yourself too thin," said Mr Myhrvold. "But developing parts of the world offer many opportunities. It would be foolish for us to ignore that."

The Cambridge centre will represent about a tenth of Microsoft's fundamental research effort. The number of computer scientists and engineers engaged is forecast to grow from 200 to 600 in the next few years.

Microsoft's spending on basic research represents about 1 per cent of its development spending.

Reuters

Prof Alec Broers, vice chancellor of Cambridge University (left), and Nathan Myhrvold of Microsoft at the London press conference to announce the US company's investment

Former chancellor scores in leadership struggle

By John Kampfner in London

The Conservative leadership was on a knife edge last night after Mr Kenneth Clarke, cbancellor of the exchequer in the last government, surprisingly clung to his lead in the second ballot among the party'a parliamentary members over Mr William Hague, the former secretary for Wales.

Attention before tomorrow's final round was focused on Mr John Redwood, a former challenger for the Conservative leadership, who was eliminated on coming third, with 38 votes to Mr Clarke's 64 and Mr Hague'a 62.

Mr Redwood's team was meeting last night to determine wbether to transfer their allegiance to Mr Clarke, their ideological opposite, or Mr Hague, with whom personal relations are particularly difficult.

Opinion among the Redwood camp of predominantly arch rightwingers and Eurosceptics was split. Some claimed that Mr Clarke's call for an inclusive approach, incorporating all strands of opinion, might win them over.

With both teams urgently trying to win him round, Mr Redwood suggested he had yet to make up his mind.

Although Mr Hague was installed as odds-on favourite by bookmakers, his supporters acknowledged disappointment and surprise that he had not taken the lead.

It appsared tbat Mr Hague's statement on Monday night that prospective sbadow cabinet members would have to support his line on Europe had antagonised some voters.

"Early in the contest it was 'anyone but Ken'," said a former minister. "Now ws've been so alarmed by Hague that it's 'anyone but William'."

One of the more incongruous likely converts to the Clarke cause was Mrs Teresa Gorman, one of the original Maastricht treaty rebels. "Kenneth Clarke is a big hitter in terms of parliamentary activity," she said. "William Hague doesn't have any clear view about anything except that he wants to be all things to all people."

A jubilant Mr Clarke said after tbe reaults were announced: "I am the first choice of Conservative MPs and I have the overwbelming support of both the general public and Conservative party members."

He added, in a clear rebuff to Mr Hague's more disciplinarian approach: "I will put together a broad-based team drawing on every strand of opinion within the party."

Mr Clarke's aides said he would spend the next 36 hours in one-to-one chats witb waverers. They felt that support for Mr Hague was "peeling off".

Electricity prices fall 7.4% in year

By Simon Holberton

Electricity prices in Britain fell by 7.4 per cent in the year to April 1997 – the steepest decline since privatisation. It enabled the UK to improve its relative position in the world, moving from seventh to sixth cheapest in a group of 15 countries.

The figures, produced by National Utility Services, a buainess consultancy, showed that Italy – wbere prices rose 5 per cent to 5.72p/kWh – had the most expensive electricity. Australia – wbere the newly-deregulated markets bas seen prices fall by 40 per cent – comes out with the lowest electricity prices of just 1.76p/kWh. The price in the UK was 3.75p/kWh.

National Utility, bowever, criticised Offer, the electricity regulator, for failing to protect small and medium-aized businesses by refusing to force electricity companies to pass on savings from the ending of the nuclear levy. It claimed that prices could have been lower if the electricity regulator had ensured that all electricity companies passed on the effects of a reduction in the nuclear levy to 2.2 per cent of househokl bills from 10 per cent a year earlier.

Mr Andrew Johns, National Utility director, said: "Offer is failing to protect consumers' interest by not becoming involved in this issue. It remains to be seen whether the government will intervene and force the regulator to take a more active role."

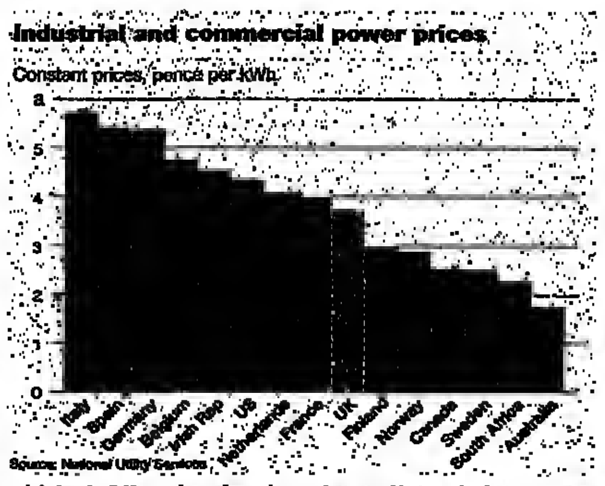
Certain electricity companies were taking unfair advantage of companies by refusing to lower their prices to reflect a reduction in the levy on bills, said National Utility. The companies argue that contractual terms and conditions allow them to keep the additional income.

The National Utility criticism is likely to be of concern to Mr John Battle, the energy minister, who has said that he wants consumer protection put at the heart of utilities' regulation in Britain.

National Utility said that the main reasons for the fall in consumer electricity prices were tbe two-stage reduction in the nnclear levy, a restructuring in costs of electricity transportation, and further regulated reductions in the profits of electricity companies. The combined effect of these changes masked a 2.6 per cent rise in generation.

Over the last 12 months, tbe wbolesale electricity market has appeared less risky than usual. Prices did not fluctuate as widely between summer and winter as in previous years.

Industrial and commercial power prices



Source: National Utility Services

Oxford academics back $73m business school

By Richard Wolffe

Oxford dons [senior academics] yesterday voted overwbelmingly to back the university's controversial plans for a £45m ($73.35m) business school, largely funded by Mr Wafic Said, tbe Saudi entrepreneur.

Tbe vote clears the way for Oxford to fulfil a seven-year dream of competing with the world'a best business schools with an expansion of management studies in a flagship building. After a tense debate in the university'a congregation, or parliament, dons approved revised plans by 342 votes to 55.

Opponents of the business school had objected to Mr Said's donation on the grounds that it would seriously undermine academic freedom. They particularly opposed the power of the business school's foundation to veto the appointment of the school's director of studies.

Mr Said and his trustees will take four seats on the foundation, equal to the university, with two independent businessmen holding the balance of power.

Original plans to site the school on greenfield land were decisively rejected in November, in a surprise blow to Oxford'a executive leaders and the university's fund-raising campaign. The new plans site the school on a car park opposite Oxford railway station.

Mr Said said: "I am delighted that congregation bas united behind the new site. It is a great opportunity to create a world-class business school that drawa on Oxford'e finest traditions of academic excellence and rigour.

"Oxford has traditionally helped to fill the senior ranks of politics, the professions and science. I hope that in the coming generation it will also provide the brightest and the best of business to the benefit of the university, city and the country."

Professor John Finnis, professor of law and legal philosophy, said: "We are faced with an odious dilemma. Either business studies are a sham academic affair, so the normal principles of academic autonomy do not apply. Or the alternative is that this university no longer upholds the principles and practice of acadsmic autonomy."

The university argued that the independent trustees would counter Mr Said'a influence on the school.

It added that Oxford could not afford to reject his donation of £20m a second time, and that a negative vote would discourage further donations.

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UK NEWS DIGEST

Peace moves stepped up

The British government yesterday stepped up its efforts to prevent bloodshed wben the Northern Ireland Protestant marching season reaches its peak in three weeks' time.

Ms Mo Mowlam, Northern Ireland secretary, held talks with nationalist residents in Portadown, five miles from the site of Monday's murder of two policemen by the Irish Republican Army in Lurgan, Co Antrim.

The UK and Irish governments said Monday's killing of the Royal Ulster Constabulary officers – for which a man was being questioned yesterday – was designed to heighten tensions in the run-up to the marches. One Ulster Unionist MP described the situation across the province as a "powder keg".

Ms Mowlam indicated that, although there was little sign of agreement with the Catholic residents in Portadown, discussions with them would continue.

Mr Tony Blair, the prime minister, announced on Monday that the government had suspended official contacts with Sinn Féin, the IRA's political wing, following the murders. *John Kampfner, London*

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■ LONDON PROPERTY

City bonuses 'fuel 25% price rise'

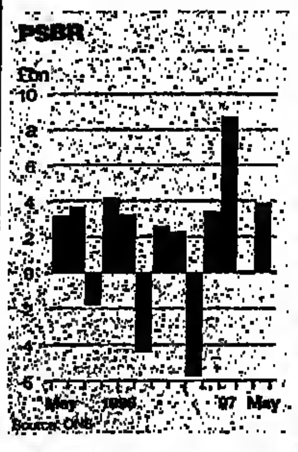
Prime residential property prices in London rose 25 per cent over the past year, fuelled by an upturn in domestic demand as a result of City bonuses, a new study shows.

According to research by Knight Frank, the property consultants, prime London house prices rose 13.6 per cent in the half-year to June alone, substantially outperforming other parts of the country. Two-thirds of purchases over the past six months have been by UK buyers compared with 38 per cent in the previous six months, with a large proportion coming from tha City.

Foreign purchasers have come mainly from the Middle East, continental Europe and the Far East, with the latter often resulting from property exhibitions in Hong Kong and Singapore. Ms Lorna Vestey, partner at Knight Frank, said demand remained very strong but growth should slow. *Mark Suzman, London*

■ BORROWING FIGURES

$11bn boost for government



The government could cut £7bn ($11.4bn) off its deficit this year as the state of public finances is continuing to improve, according to the latest borrowing figures released yesterday. Government borrowing is 35 per cent lower this financial year compared with 1996, thanks in part to a fall in spending by government departments. Departmental spending was 1 per cent lower last month than the same month last year. May was also the third month in a row that departmental spending has fallen year-on-year. The Treasury said the difference between government spending and tax income in May was £3.955bn, higher than forecast and above April's deficit of only £76m and £3.2bn in the same month last year.

Analysts at HSBC bank in London said the underlying pnblic sector borrowing requirement (PSBR) this year was already £3bn below last year's figure. Mr Jonathan Loynes, UK economist at HSBC, said: "The prospects for a hefty undershoot of this year's official PSBR forecast of £19bn remain very good." *Richard Adams, London*

■ INSURANCE

General profit lowest since 1993

UK insurance companies made a general trading profit on their worldwide businesses of £3bn ($4.89bn), or 8.6 per cent of premiums, in 1996 – the smallest since 1993 and nearly 30 per cent down on the 1995 figure of £4.3bn.

But tha figures, from the Association of British Insurers, also show that worldwide net long term premium income from pensions and life business rose 18 per cent in 1996 to a record £66.4bn. The figures confirm recent market trends.

Mr Mark Boléat, director general of the association, said: "After four years of improving trading results both in absolute terms and as a percentage of premiums, 1996 looks to be the turning point in the infamous insurance cycle". He said that to maintain profits premiums would have to rise or there would need to be a reversal in the recent upward trend in claims.

Underwriting losses in 1996 were £1.865bn, compared with £624m in 1995. In the UK, losses on motor underwriting jumped from £80m to £633m as a result of more claims and lower premiums. *Jim Kelly, London*

■ RETAIL CLOTHING

Museum in lingerie design deal

The Victoria & Albert, the decorative arts and design museum in Kensington, London, is stretching its brand into underwear sold by Marks and Spencer, the UK's largest clothing retailer.

Seventeen flagship M&S stores in the UK and continental Europe will stock the lingerie as part of a V&A collection of clothes and toiletries from August this year. The initiative is aimed particularly at the tourist market, and is an extension of the programms of licensing goods to bear the V&A brand already run by V&A Enterprises, the museum's commercial arm, which has a turnover of £90m ($146.70m) a year. The arrangement with M&S is through Coats Viyella, which is one of the store's main suppliers and one of the V&A'a licensees. *Alison Smith, London*

Private sector looks for underground profit

There is international interest in the possible sell-off of London's ageing Tube network, says **Charles Batchelor**

London Underground's crumbling tunnels and regularly "out of order" escalators might be expected to deter all but the most foolhardy or optimistic of investors.

But the privatisation of the bus industry in the mid-1980s, the break-up of British Rail over the past two years and private sector involvement in other urban light rail networks has created a deep pool of potential bidders for a possible sell-off.

International interest could come from south east Asian operators of mass transit and light rail networks with extensive experience of taking advantage of commercial property and other private sector investment opportunities alongside pnblic sector transport systems.

French companies also have invested heavily in former publicly-owned British utilities including commnter rail franchises.

"Several private sector companies have said they see this as an opportunity," says Mr Peter Ford, chairman of London Transport. The approaches bave come from companies in the rail, civil engineering, rail equipment and financial sectors.

In spite of a £1.25bn ($2.03bn) backlog of investment spending, which has led to increasingly frequent breakdowns on the Tube network, the aystem'a operating performance has been improving. The operating surplus earned in the year ended last March rose "substantially" on the £192m surplus for 1995-96, and a record 2bn passngers were carried. Mr Ford is to unveil the 1996-97 figures tomorrow.

However, after depreciation and spending on the renewal of fixed assets, the Tube made an operating loss of £212m in 1995-96. Although this was lower tban the £308m recorded a year earlier, the Underground remains heavily dependent on government grants. These amounted to £900m last year but are set to fall to £150m in 1999-2000.

The figure on which critics of privatisation are likely to focus is the gap between the proceeds of any sale and the value of assets being sold.

The former Conservative government calculated that a sale could realise between £600m and £1.2bn. The Tube puts a value of £7.2m on its trains and infrastructure after depreciation. Many systems will have to be upgraded to make the Tube attractive to travellers.

"A buyer would have to calculate carefully the liabilities and know what he would have to spend," says Mr Wyn Ellis, analyst at SBC Warburg. "But if the quality and reliability of the system can be improved, there must be a lot of scope for increasing passenger numbers."

The level of private sector interest would depend on precisely how the new Labour government decided to sell the Tube. It could remain an integrated system, with the buyer taking over the infrastructure – track, tunnels, stations and electrical systems – as well as running the trains. Or, like the overground rail network, the two could be split. The apparent urgency of Labour's plans, revealed in documents left by Mr John Prescott, deputy prime minister, in a BBC television studio, has surprised transport groups and the City.

The bus, coach and sbipping companies that have already taken over rail franchises would be strong candidates as buyers, although none has experience of managing infrastructure. Witb growth in the domestic bus sector slowing, companies such as Stagecoach, FirstBus and National Express, ths coacb group, are expected to consider tbe Tube closely.

Several of the transport companies that acquired London commuter rail franchises, including Connex of France, or bought parts of the formerly publicly-owned London Buses network, could face competition issues.

ARTS

Television/Christopher Dunkley

Cheap, but no chutzpah

There is no sense in complaining that a Mini is not as good as an *Aston Martin*; given the difference in price, that is inevitable. Similarly with Channel 5: given that the money spent on programmes is only a fraction of that spent by ITV, Channel 4 and the BBC networks, yon cannot expect it to perform in the same way. However, the Mini is widely admired for being good at what it was designed for, and it seems reasonable to ask whether the same goes for Channel 5. Yon might doubt it, given that its average andience share during its first 10 weeks has been 2.6 per cent (though according to the most recent BARB figures the new channel is now managing nearly half as much again, having leaped up to a 3.7 per cent share).

Spend a week concentrating on C5, and do yon find any programmes which compare favourably with what we are used to an the four old terrestrial channels? Yes. Two. Every week night at 7.30, C5 shows a half-hour wildlife programme. Most look very familiar: lions crunching their bloody way through an antelope, sea eagles snatching fish ont of the water, and so on. No doubt it is a shame that we have become so blasé about such technically astonishing stuff, but we have. Blame David Attenborough or Anglia's *Survival*, hnt with most of these C5 programmes you yawn and say "Yes, yes, we *know* how hyenas/springboks/elephants behave". Last week there was one edition, "How Green Is My Quarry", which was strikingly different. It showed how, in seven years, a huge quarry which, after being excavated by a cement works looked like the surface of the moon, was transformed into a wooderful green nature reserve stuffed with fish, weaver birds, heron, and much more. It made a fascinating and heartening 30 minutes.

Then, early on Sunday evening, *What's The Story* proved to be one of the best attempts for years (and there have been many) at a current affairs magazine programme. Among this week's topics were the buying of London property by Hong Kong Chinese who, it seems, are snapping up new Thameside flats before they are off the drawing board, sometimes using a Feng Shui guide to advise on the best investments; the row over attempts to tegislate for different types of rape; and the odd story of a charity set np by singer Michael Jacksoo which seems to have given remarkahly little of its income to the supposed beneficiaries.

The rest of the week's viewing was a depressing experience because there appeared to be such a dearth of original thinking. C5 seems intent upon following all the most trite and tiresome trends already pursued by others. Channel 4 shows huge quantities of American sport, so C5 does the same; and for some reason (covering the more frequent American commercials?) American sport necessitates even more of that smart-aleck studio chat than usual. But then studio chat must constitute one of the largest elements in the Channel 5 output. *Turnstyle* is a studio chat show about sport. Every evening at 7.00 there is a half-hour programme of showbiz chat in which a male and a female presenter, with a high stool and a fixed smile apiece, introduce clips from forthcoming movies (free puffs, in other words, consisting of the sort of high-budget footage which C5 cannot afford to produce) interspersed with gossip column titbits. This is not the only C5 programme which resorts to reading out headlines and stories from tabloid newspapers, a pitiful form of parasitism.

The channel's American content is high, though probably not higher than C4's, but while C4 shows some of the best programmes produced in the US, those on C5 tend to be tacky. *Fame And Fortune* looks like a "Hello!" magazine of the air. Last week it followed Linda Gray, faded star of *Dallas*, as she went on African safari – immediately after a programme all about African wildlife. *UFO* on Sunday was a "documentary" about the American craze for alien abduction, which was treated as though it were as real as a railway engine. Barmy tales of Martian kidnapping were intercut with fanciful shots of little grey men with black almond eyes at a level only just above the subliminal. Saturday's 10.50 pm movie (the second of four shown nose-to-tail between 9.00 pm and 3.55 am) was the unpleasantly violent and critically slated *Vigilante Force*.

Family Affairs, the soap opera shown at 6.30 Monday to Friday with a two-hour omnibus on Sundays, makes *Coronation Street* look like the pinnacle of sophistication. The set piece units (marital row, grandson/grandfather bonding, pnb row) are so mechanical, stilted and lacking in humour that the whole thing feels remarkahly like Victoria Wood's magnificent soap satire, *Acorn Antiques*. As with the new cable channels which can stay in business only hy cutting budgets not to a half or a third of those at the old terrestrial networks but to a 10th or a 20th and sometimes less, C5 includes plenty of quizzes and game shows in its schedules.

Wourfabgroovy is yet another quiz about pop music and modern lowbrow culture: what was the name of Dick Emery's female character who said "Ooh, you are awful but I like you"? One of the six contestants – clearly a round peg in a round hole – knew the answer was Mandy. But how many of the seven participants in this programme could viewers identify? I knew Hank Marvin from The Shadows and recognised another as a self proclaimed lesbian stand-up comedian whom I had seen on a late night cable show. The rest were ciphers. *Whittle* is a general knowledge quiz played each week day at 6.00 pm in which a large number of competitors is whittled down by such posers as "Which has most legs: three spiders, two fish, six men or a mouse?": one woman opted for two fish. Two thought Boh Dylan's real name was Dylan Thomas. *Tibs And Fibs* is a late night "medical" quiz chaired by Tony Slattery, whose manner puts yon in mind of Murray Walker on uppers.

It is hard to detect what those at C5 might think its Unique Selling Proposition could be. Most of the content looks like the worst of what we already had elsewhere, the only difference being the stripping and stranding of the schedule. That ensures that you get the same sort of thing at the same sort of time each day. But does ruhbish become more attractive just because you know you can see it every day at a particular time? A week's viewing suggests that mnch of what C5 is screening is not only cheap, but cheap and nasty: not only not an Aston Martin, but lacking the charm and chntzpah of a Mini, too.

Theatre

Matters of life and death

Death in the title equals death at the hox office, or so the Hollywood financiers predicted of *Four Weddings and A Funeral*. Ben Brown steers clear of the problem with his first full-length play, the gently amusing *All Things Considered*. You would never guess that the lightly punning title actually refers, in part, to the various ways in which the central character speods the entire play trying to commit suicide.

David Freeman (Christopher Godwin), a 50-year-old, divorced, childless philosophy professor regards his work as complete, and has taken the entirely logical decision to end his life. The trouble is, he keeps being interrupted. It is a great set-up and Brown huilds tension nicely as a constant stream of friends and acquaintances turn up for help with their increasingly ludicrous private matters of life and death.

Unfortunately, there is a peculiarly secood-hand feel to the device. Simon Grays's *Otherwise Engaged* concerns a man's attempt to spend an evening listening to *Parsifal* only to be interrupted by similar trials and trihulations of friends and foes. The plays even share gags of embarrassment about incriminating answering machine messages.

As for the death question, Christopher Hampton's academic tale *The Philanthropist* opens with a spectacular, alheit accidental, suicide. Brown lacks the venom of the former and the dazzling wit of the later.

Even more pertinently, his play comes garlanded with praise from Alan Ayckbourn, who built the eotire second act of his early masterpiece *Absurd Person Singular* around a character whose foiled and increasingly farcical suicide attempts are powerfully funny and painful.

Brown has an impressive command of structure, hut that too feels old-fashioned. The action takes place on Michael Holt's tastefully decorated college sitting-room set, into which a motley collection of characters are neatly introduced. But, thriller-style, they all fall too schematically into nicely argued philosophical debates around death.

The script elicits far more laughs than you would imagine via misunderstandings, and every now and then you sense the spirit of Joe Orton struggling to break through, hut Alan Strachan's staid production irons out much of the comedy. It is all too middle-of-the-road, too safe, with the result that the actors struggle (usually in vain) to stop their characterisations descending into stereotype.

Interestingly, it is Freeman, the least willing to pour out his feelings, who is the most successfully realised character. Susie Blake uses her considerable comic skills to flesh out the love-lorn librarian (although even she has to fight against the prodnction, which saddles her with an all-too-obvious tweed skirt and sensihle shoes). Michael Lumsden has great charm as a lecherous lecturer, but he is forced to signal his intentions to an absurd degree.

Driving the paca harder would raise the comedy level and release some much needed energy into the proceedings; but for all Brown's promise and carefully plotted surprises, the evening, if not his hero, is killed off hy predictability.

David Benedict

Hampstead Theatre, London NW3 until July 5 (0171-722 9301)

Michael Lumsden and Christopher Godwin in 'All Things Considered' Alastair Muir

Theatre

Love triangle goes into overdrive

The most succinct descriptioo of Lucinda Coxon's *Wishbones* – "set in a small town in Derbyshire, Abu Dhabi and Ostia" and directed at the Bush hy Simon Usher – is "a play of two halves."

The first hour of the evening is primarily given over to low-key estahlishment of the five characters and their relationships. Diffident middle-aged Colin (Gawn Grainger) and his vaguely dissatisfied wife Gwen (Madelaine Newton) find their lives complicated by the return from the Emirates of Gwen's friend Audrey, who proceeds to trot after her like a spaniel. The circle expands to take in Alan (Kevin McMonagle), a furniture restorer with an off-on commission from Gwen who is haunted hy the drowning of his nephew, and Mary, the disturbed, too-sensitive girlfriend of the deceased lad.

Usher takes the same directorial approach as he has done with Richard Cameron's plays which, at this point, *Wishbones* closely resemhles (an impression bolstered by the casting as Mary of Jane Hazlegrove from Usher's production of Cameron's *The Mortal Ash*); he slowly weaves moods, allows silences and implications their head and trusts in the play and well-pitched performances to develop matters at a natural pace.

Unfortunately, in the second half Coxon gives things not so much a little push as a series of hefty shoves.

During and after the central event, the annual dedication of a decorative cover for a local well (heautifully dressed hy Imogen Jenkins), we are served up on a platter everything previously only hinted at: a love triangle which operates in all three directions, a cross-generational attachment, frustrated homosexuality of both flavours, infanticide and the sudden acquisition hy just about everyone of a mastery of metaphysical metaphors.

Incidents and tensions are treated with an explicitness entirely at odds with the foregoing. Where previously the characters had seemed somewhat at sea in their lives, now it is the actors who must grope for a plausihle through line.

They generally cootinue in more or less the same register which, as a result, varies from nigglingly to wildly inappropriate – the most severe victim being Hazlegrove, who has somehow to engineer a transition io Mary from a kind of hysterical autism to cool, eloquent emotional manipulation.

True, the seeds of all these developments have been sown in the first half, hut the fruits they bear are of huge and misshapen proportions for such a diminutive dramatic field.

Ian Shuttleworth

At the Bush Theatre, London W12, until July 5 (0181 743 3388).

An all-women line-up for the Turner Prize

As predicted, this year's Turner Prize short list is indeed all women but not perhaps the women that might have been expected. No Tracey Emin, no Sarah Lucas, those bad girls who have hogged the headlines with their recent solo shows. Not even Cathy de Monchaux, whose current show at the Whitechapel had her hotly tipped as a contender.

Instead, the judges chose Angela Bulloch, 30, a cool conceptnalist; Gillian Wearing, 33, who works with video to explore people's secret inner lives; Cornelia Parker, 40, who famously exhibited actress Tilda Swinton asleep in a glass case; and Christine Borland, 32, who works with the language of forensic science. It is a selection which recognises the innovative work of the younger generation while also acknowledging Parker, mnch admired by her peers but certainly not part of the Young British Artists hrat pack.

The judges at the press conference – art critic Marina Vaizey; Penelope Curtis, curator of the Henry Moore Institute, Leeds; and Tate director Nick Serota, who had made the selection along with Jack Wendler from the Patrons of New Art and Lars Nittve, director of the Louisiana Museum in Denmark, were keen to deny any political correctness in the all-woman list. Over the past ten years or so, they said, women's work had come more and more to the fore, and the all-woman list was merely a reflection of the present state of the art world.

Brave gestures are no longer needed – women, from Agnes Martin and Marina Abramovic to Rachel Whiteread and Sam Taylor Wood, have just carried off the prizes at the Venice Biennale and now will fill the Tate this entumn. That women's contribution to visual art is finally being not just recognised hnt apparently taken for granted is a hreakthrough indeed.

Lynn MacRitchie

The Turner Prize is sponsored hy Channel 4. Work by the shortlisted artists will be on show at the Tate from October 29 - January 18 1988.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

DANCE
Koninklijk Theatre Carré
Tel: 31-20 6 211 211
● Sleeping Beauty: choreographed by Mats Ek to music by Tchaikovsky, performed by the Cullberg Ballet (part of the 1997 Holland Festival); Jun 21, 22, 23

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
● Around Europe: exhibition to mark the meeting of the European Council in the city this month, featuring work from 15 member states of the European Union. Artists represented include Mondrian, Klein, Baselitz, Picasso, Ernst, Giacometti, Bacon, Chagall, Long, Van Gogh, Léger, Lüpertz, Dubuffet and Fontana; to Aug 24

■ ANTWERP

EXHIBITION
Openluchtmuseum voor Beeldhouwkunst Middelheim
Tel: 32-3-8281350
● Anthony Caro: retrospective display of work by the British sculptor, whose work has had a great influence on contemporary artists, notably Tony Cragg; to Aug 17

■ BARCELONA

EXHIBITION
Fundació la Caixa
Tel: 34-3-4588907
● Amelia Peláez, Frida Kahlo, Tarsila do Amaral: exhibition examining the roots of Modernism and contemporary art in South America through tha work of tha three female artists. 100 works on display establish the similarities and differences between the women, the contact they had with European movements and their own journeys to discover the roots of their countries; to Jul 27

■ BERLIN

OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Le Nozze di Figaro: by Mozart. Conducted by Stefan Soltesz. Soloists include Lenus Carlson, Margaret Marshall and Fionnuala McCarthy; Jun 21

■ BILBAO

EXHIBITION
Museo de Bellas Artes
Tel: 34-4-4419536
● Del vedutismo a las primeras vanguardias: display featuring 40 paintings and four sculptures from the collection of Baroness Carmen Thyssen-Bornemisza, including works by Canaletto, van Gogh, Picasso, Kirchner and Kandinsky; to Jun 30

■ COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820
● Christian Oelze: performance by the soprano, accompanied by the pianist Irwin Gage. The programme includes works by Schuhert; Jun 22

EXHIBITION
Museum für Ostasiatische Kunst Tel: 49-221-9405180
● Reisewege – Reiseziele. Unterwegs im Alten Japan: exhibition examing the history of Japanese people as travellers abroad. From as early as tha 17th century Japanese citizens travelled on official missions, for business and pleasure; to Jul 13

■ DRESDEN

OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● La Bohème: by Puccini. Conducted by Klauspeter Seibel. Soloists include Birgit Fandrey, Eva Kirchner and Mario Carrara; Jun 19

■ LONDON

EXHIBITION
Whitechapel Art Gallery
Tel: 44-171-5227888
● Cathy de Monchaux: display of work by the British sculptor; to Jul 27

THEATRE
Cottesloe Theatre
Tel: 44-171-9282252
● Closer: written and directed by Patrick Marber. The cast includes Sally Dexter and Ciaran Hinds; to Jun 28

■ MADRID

EXHIBITION
Museo Thyssen-Bornemisza
Tel: 34-1-4203944
● George Grosz: exhibition focusing on the years the German Expressionist painter and graphic artist George Grosz (1893-1959) was working in Berlin. The exhibition features some 20 oil paintings, approximately 100 works on paper, notebooks, illustrated books, and other objects; to Sep 14

■ NEW YORK

EXHIBITION
MOMA – Museum of Modern Art, New York
Tel: 1-212-708-9400
● The Stenberg Brothers: Posters of the Russian Avant-Garde: the first retrospective of tha graphic work of Vladimir and Georgii Stenberg, who began designing posters for the burgeoning Russian cinema in the mid-1920s. Their designs combined many aspects of the Constructivist movement with montage techniques borrowed from film; to Sep 2
Museum of the City of New York Tel: 1-212-534-1672
● New York Gets Married: exhibition celebrating the wide variety of wedding rituals through the display of clothing, memorabilia, works-on-paper and decorative arts objects; to Sep 21

The Metropolitan Museum of Art Tel: 1-212-879-5500
● Ivan Albright: Magic Realist: retropective of work by the American artist, whose style of painting is so exact in its depiction of detail that at times it seems to transcend reality; to Sep 7

JAZZ & BLUES
Avery Fisher Hall
Tel: 1-212-875-5030
● Fina Estampa: performance by the Brazilian band, featuring Caetano Veloso on vocals and guitar; Jun 21

■ PARIS

EXHIBITION
Musée Carnavalet
Tel: 33-1 42 72 21 13
● Noureïev: exhibition devoted to dancer/choreographer Rudolf Nureyev. The display, which draws upon Nureyev's personal collection, features costumes, posters, photographs, personal belongings – including furniture, paintings and prints – and other objects painting a picture of his artistic and private life; to Jul 27
Musée du Louvre
Tel: 33-1 40 20 50 50
● Exposition du Centenaire da la Société des Amis du Louvre: display marking a centenary of donations by the Friends of the Louvre, featuring tha first work given to the Museum – Baldovinetti's "Vierge à l'Enfant" – and pieces by de la Tour, Quarton, Hey, Fouquet and Lieferinxe; to Jul 21

■ PHILADELPHIA

EXHIBITION
Philadelphia Museum of Art
Tel: 1-215-763-8100
● The Hands of Rodin: A Tribute to B. Gerald Cantor: display of 60 sculptures in bronze and plaster; to Jun 22

■ STUTTGART

EXHIBITION
Staatsgalerie Stuttgart
Tel: 49-711-2124050
● Art Games: exhibition examining the work of tha Fluxus movement, founded in 1961 and including Nam June Paik, Kate Millet, La Monte Young, George Brecht and Yoko Ono among its members. In keeping with the diverse interests of the group, the display features work using a wide ranga of media; from Jun 22 to Sep 22

■ VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● Orchestra of Nations: with conductor Justus Frantz and cellist Rostropovich in works by Smetana, Schubert and Dvorák; Jun 21

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10.00
European Money Wheel

18.00
Financial Times Business Tonight

Edward Mortimer

Overkill in Africa

As political failure leads to moral indifference, genocide in Africa no longer sparks world outrage or even attention

Zaire is dead. Long live Congo. The corrupt regime of Mr Mobutu Sese Seko is at last consigned to the dustbin of history. Mr Laurent Kabila, the new president, is the latest recruit to the club of new-style African leaders – tough but enlightened and English-speaking – whose rise has ended the long civil wars in countries stretching from Eritrea to Rwanda.

What is wrong with that widely accepted account of recent central African history? There is the implicit equation of enlightenment with the English language. French policy in Africa has been unenlightened, giving uncritical support to dictators so long as they speak French and are amenable to French influence. English-speaking policymakers and commentators should beware of doing the same.

Unpleasant facts keep coming to light about what Mr Kabila's Tutsi supporters have been doing to Hutus (both Rwandan refugees and native Congolese) during their sweep from the Rwandan border to Kinshasa, Congo's capital, which they reached last month. Perhaps the most detailed and chilling report appeared in the Washington Post.

Mr John Pomfret, the reporter, described how, in mid-April, the inhabitants of a village called Kasese, urged on by military officers loyal to Mr Kabila, "tore through a camp of refugees, most of them Rwandan Hutus, hacking and spearing men, women and children". Armed Hutus fought them off. But "a day later, Mr Kabila's rebel forces stepped in and, according to survivors and local residents, ravaged the 55,000 refugees for seven hours, firing wildly into the encampment".

Hundreds died and were buried in a mass grave. And this was "just one of numerous tales of mass killings. . . carried out by soldiers loyal to Mr Kabila". "The stories," wrote Mr Pomfret, "along with mass graves and accounts of witnesses and victims in eastern, central and western Congo, paint a horrific picture of atrocities. . . Taken together, they suggest the massacres were not isolated instances of unruly troops, but rather part of Mr Kabila's war of liberation."

One word is conspicuously missing from Mr Pomfret's report: a word that reporters are rightly reluctant to overuse – and governments are reluctant to use at all, since almost all states are signatories to an international convention obliging them to intervene and halt "genocide" wherever it occurs.

Yet what other word will do when, in the words of Amnesty International, "thousands of unarmed civilians, mostly Rwandese Hutu refugees and (ex-)Zairean Hutus, are reported to have been deliberately and arbitrarily killed", while "Congolese [ex-Zaireans] from other ethnic groups suspected or known to be sympathetic to the Hutus and others thought to be hostile to the Tutsis have also been targeted".

That means the victims were chosen not for their political views, nor even because they were foreigners, but because of their ethnic identity. Nationality is irrelevant in this war, but ethnicity is everything. Mr Kabila's rebellion started last autumn as a revolt of Zairean Tutsis and has been consistently supported by the Tutsi-dominated government of neighbouring Rwanda. Rwandan soldiers have frequently been identified among his forces. Many Zaireans of all ethnic groups rallied to his cause to get rid of the Mobutu regime but the war was also, and perhaps mainly, a continuation of the struggle between Hutus and Tutsis in Rwanda and Burundi.

Those of the victims who are refugees are supposed to be under the protection of Mrs Sadako Ogata, the UN High Commissioner. Her office (UNHCR) is mandated to look after refugees and to ensure that they are not sent back against their will to the country from which they fled. But that has now become almost the least of its concerns. UNHCR, together with various voluntary agencies, has been struggling to repatriate as many Rwandan refugees as it can, in the hope of saving them from an even worse fate if they stayed in Congo.

Kabila: chilling stories have emerged about his supporters

Oxfam, one of the voluntary agencies most active in the area, estimates the death rate among the refugees who have returned to Rwanda at 60 per 10,000 per day. But among those who remained in Congo the estimated death rate from preventable causes (not including homicide) was five times higher than that – until about three weeks ago. By then there were "no major concentrations left", though some 200,000 refugees remain unaccounted for.

"We believe this death rate to be a world record," says Mr Nicholas Stockton, Oxfam's emergencies director. Yet, in the UK at any rate, there has been minimal newspaper coverage and no major appeal for funds as in previous humanitarian crises. "Human life," concludes Mr Stockton bitterly, "is deemed not worth saving any longer."

The reason is, of course, that the world's conscience is already numbed by other atrocities and especially by the genocide against tha Tutsis which the Hutu regime in Rwanda organised before it fled in 1994. The armed men who unsuccessfully defended the refugees in Congo this spring were, in all probability, among those who butchered defenceless Tutsis in Rwanda three years earlier.

The world failed to stop that genocide and failed afterwards to weed out its perpetrators from among the refugees kept alive by western aid on the Rwanda-Zaire frontier. Instead it allowed armed men to control those camps, to use them as bases for raids back into Rwanda, and then to attack Zairean Tutsis as well. So now, when the survivors of one genocide resort to another, the world prefers not to know.

·LETTERS TO THE EDITOR·

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Stet confident global ambitions can pay off

From Mr Guido Rossi.

Sir, In my language, Italian, we refer to a particular kind of shower which alternates waves of hot and cold water as a *doccia scozzese*, a "Scottish shower".

I feel a similar sensation as I write. In your article "Troubleshooter was parachuted in" (FT Telecoms survey, June 11), I am the subject of a flattering profile which very kindly says I have made "remarkable progress" in helping to assist Stet/Telecom Italia to become, among other things, more international. For this I am profoundly grateful. The task we face is hardly simple, and the encouragement of the Financial Times means a great deal.

However, in the same edition, the Lex column suggested that we should put these "extravagant tastes" behind us, concentrate on acting as a local distributor in Italy for the services of others, and simply give the cash we generate to our shareholders rather than invest it abroad. I think our shareholders have little cause for complaint. The overall market capitalisation of Stet has risen by 70 per cent in just seven months.

Though I understand that the energy we are unleashing within Stet/Telecom Italia may appear to Lex to be simple "rushing around", I assure you we are proceeding according to a concrete strategy intended to take our international revenues from telecommunications services, which were roughly 9 per cent of sales last year, to around 20 per cent of sales by 2000. That is not just our personal feeling. Analysts say such a strategy can pay off. As far as the Serbian deal is concerned, I would note that our evaluation has been done discounting cash flows with an appropriate (suggested by our adviser, UBS) country risk. Just to give you a comparison, the price paid for the purchase of the stake of SPT refers to a value that is 12.9 times the operating cash flow.

We already are a global player in a global market. We intend to increase our role abroad. The sharp growth in value the market attributes to our company suggests our shareholders are inclined to agree with me that this is not such a wrong-headed ambition.

Guido Rossi,
chairman,
Stet/Telecom Italia,
Corso d'Italia,
41-00198 Rome, Italy

Australia's climate stance too negative

From Ms Ute Collier.

Sir, Australia has been one of the countries most obstructive to progress in the international climate negotiations, hence it comes as no surprise to hear that the EU's climate change policy is being attacked by an adviser to the Australian government ("Brussels policy on climate change attacked", June 13).

The EU's position, while far from perfect, is nevertheless the most progressive proposal on the table from any of the leading emitters. Dr Brian Fisher, the academic employed by the Australian government, bases his arguments on the results of various economic modelling exercises, the latest of which claims that it would cost Australia 22 times as much to meet a 15 per cent reduction target than the EU. However, these model results are based on assumptions which are fundamentally flawed, such as Australia already having a super energy-efficient economy. In reality, the energy intensity of the Australian economy has only improved by about a third of the OECD average in the last 25 years. Meanwhile, despite a good potential (especially for solar power), the role played by renewable energies is negligible. The Australian government fails to see that improving this performance and cutting emissions would be in its own interests economically and environmentally.

The EU is right in insisting that other developed nations should follow its example. Emission cuts will have to come from all industrialised countries, which carry a disproportionate burden of past and current emissions. Industrialised countries can only start arguing for emission reductions in developing countries when they have put their own house in order. Here Australia has a long way to go. The Australian government should stop trying to undermine progress in the climate negotiations and remember that climate change is likely to have substantial negative impacts on the Australian continent, such as worsening water shortages, as well as threatening its greatest tourist attraction, the Great Barrier Reef.

Ute Collier,
senior research officer,
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26-28 Underwood Street,
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Missing the vision

From Professor Jagdish Bhagwati.

Sir, Mr Harry Freeman, the Washington free-trade lobbyist, in reacting furiously (Letters, June 13) to my article ("Short on trade vision", June 3) betrays the two faults that bedevil the formulation of a practical yet visionary trade policy.

First, he accepts political reality as he finds it in Washington, condemning my suggestions as "political insanity". Statesmen differ from politicians; the latter accept political reality as they find it, the former reshape it constructively.

Second, he deplores anything visionary, denouncing "empty calls" and applauding "action" instead. Please! He underestimates the role of symbols and ideas. He also forgets that it is not enough to go around fixing potholes as you find them; you also oeed a road map.

Jagdish Bhagwati,
professor of economics and political science,
economics department,
Columbia University,
New York, NY 10027,
US

Spin-offs would improve political stock

From Mr J.W. Warner.

Sir, There is very rarely reason to doubt the fundamental analysis of Lex, but may its article on the Tory leadership have missed a point ("UK Conservatives, June 11)?

Markets often reward companies brave enough to cut weak divisions with a substantial rise in their share price.

Might not the Tories in 2002 without Gorman, Cash, Marlow et al be equally as attractive to investors as, say, NatWest without NatWest Markets.

J.W. Warner,
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Bournemouth BH3 7EW, UK

Personal View • Steven Rattner

Midsummer madness

The euro should be delayed until Europe comes to its senses on economic policy

For months, American devotees of economic policy have watched as the meanderings of Europe hava grown more and more curious. Now, as evidenced by France's parliamentary poll and the post-election manoeuvrings, continantal Europe appears to have gone economically bonkers.

Most bizarre is the embrace by France of statist ideas that lost all credibility in tha US more than a decade ago. Not even the most fringa element in America today would argue that more public sector jobs, larger budget deficits and an interventionist state would constitute a proper tonic for slow growth and lagging competitiveness.

Almost as surreal have been the efforts in Amsterdam and elsewhere to continue to push the euro through in the face of weakened commitment to tha Maastricht criteria and uncertain obeisance to the terms of the French left. The euro would probably not have worked under pre-election circumstances, and Europe is now far from those seemingly halcyon days.

It is time to put the euro out of its misery. The project should at least be postponed until Europe comes to recognise the fantasy of believing that a unified currency and a set of arbitrary fiscal benchmarks could turn a variety of inert economies into a match for the vibrant American colossus.

For all the countless trees that have been felled to publish thoughtful words about the euro, most Europeans remain oblivious to what has made the US experience successful and why the euro cannot succeed. True, as the euro obsession implies, the US success is partly about disciplined fiscal and monetary policies that have driven our budget deficit to below 1 per cent of gross domestic product.

But equally important, US success has been based on a flexible economy that prizes innovation, that taxes and regulates less, that permits labour market terms and conditions to adjust freely, that allows regional disparities to be diminished by the free movement of labour and capital, and that affords its immigrant and minority workers the chance to make their best contribution. Furthermore, the system funds its growth through highly liquid financial markets that attract capital by promising investors the opportunity to profit – or lose – without the risk of government changing the rules.

By itself, the euro would distract Europe while addressing few – if any – of these challenges. A single currency would bring certain efficiencies by eliminating foreign exchange mechanics in Europe. It could challenge the dollar's role as the world's reserve currency, though the value of that is not wholly apparent. It would lead perhaps to a one-off demand for euros that might temporarily improve the euro/dollar exchanga rate, but this would soon return to fundamentals.

The French have not been alone in their confusion. Countries throughout Europe have dodged the real issues in their rush to meet the Maastricht criteria, rather like Cinderella's step-sisters trying to jam their oversized feet into the glass slipper. Only the UK seems to have retained a modicum of sense, maintaining a careful distance from the euro panic, improving its management of monetary policy and exchanging a tired government for some new blood.

> When only the euro remains, what will happen when the populace of a country like France decides not to bear the pain any longer?

Most worrying, the French elections provide a preview of the social and political consequences of adopting the euro in a vacuum. Monetary integration alone cannot possibly force the "convergence" of participating economies. National governments retain control of a huge array of policies, including over tax and spending. Having a euro would not prevent the French from going down the road on which they are now embarking.

Even as 1999 approaches, European states continue to demonstrate their readiness to fiddle the numbers, as the recent attempt to refinance gold reserves by the normally sensible Germans shows. If countries are willing to go to such lengths just to join, imagine what liberties might be taken later.

Even with genuinely integrated policies, tha experience of the US suggests that competitiveness might not always converge. Take our experience with productivity, which increased rapidly in the 1950s and 1960s, slowly in tha next two decades, and may have risen somewhat fastar in the 1990s. But we know neither why productivity slowed nor even how fast it is growing at the moment – much less how government policies influence it.

Without convergence of competitiveness, different growth rates will inevitably develop. Without monetary and exchange rate policy to redress these imbalances, the consequences of adjustment will be magnified: rising unemployment, enormous downward pressure on wages, loss of investment to more competitive countries and the like.

France provides an important lesson of why the euro cannot work on its own. Once historic currencies have been abolished and only the euro remains, what will happen when the populace of a country like France decides not to bear the pain any longer? The answer is a move to expansionary policies such as those now being adopted by Paris. This would be destructive.

Proponents of the euro have argued that a single currency will help bring about greater political integration. In that sense, the French elections also provide an important lesson by showing, if nothing else, that when the going gets tough, political convergence becomes less, not more, likely. In reality, the euro has a chance of succeeding only once true political integration exists.

Supporters of the euro continue to argue that the US has had one currency and yet has worked through differences in regional growth rates without huge dislocations. That comparison should be recognised as weak. For two centuries, the US has had a strong central government with a dominant role in formulating fiscal and regulatory policy, easy migration of labour, few language or regional cultural differences and a variety of federal programmes to ease the pain when a region goes into recession.

The US experience holds other lessons for Europe as well. We have learned over the past two decades, for example, that in such a fast-changing world, categories of money supply hold so little meaning that the Federal Reserve has embraced a more impressionistic approach to guiding our economy, concentrating on price stability and full employment. How would such decisions be made in a Europe of varying unemployment and inflation rates?

A parception permeates the European press that the US is somehow frightened of an integrated Europe. That is simply not true. Weak European economies intensify our own balance of payments challenges. Weak European economies distract from the integration and rebuilding of eastern bloc countries. And weak European economies mean a lack of strong political leadership to help maintain global tranquility.

A truly integrated Europe would hold great promise, not only for itself but for the rest of the world. Unfortunately, the present course of events offers little reason for optimism.

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Japan's task in defence

To the outsida world, Japan seems painfully slow to take decisions about defence. Its government's call for new legislation allowing its military to assist in tackling security crises outside its borders is the culmination of a belated review that ought to have taken place as soon as the cold war ended.

Given such a long delay, the change looka rather trivial. Japan still balks at rewriting its constitution to permit its troops to fight abroad as part of a collective regional defence arrangement. Any assistance Japan did provida its US ally would remain largely logistical.

Yet its move is welcome. It should not be underestimated in a country where defence spawns so much political neurosis.

The US-Japan alliance is the cornerstone of security in Asia. It ensures the US retains a presence in the region and helps mitigate pressures from more nationalist Japanese for unilateral rearmament – something which remains one of the deepest fears of Japan's Asian neighbours. But it has long been clear that the alliance would not survive if Japan continually refused to play a more active role.

Spurred by concerns about stability on the Korean peninsula, this is what it has now agreed to do. But simply changing the law may not be enough. Japan and the US must make sure their enhanced co-operation actually works, and there are some traps along the way. It is far from certain the US would find Japan's increased support aufficient in any real crisis. Conversely, most Japanese may still find it goes too far.

One concern is China. Japan was openly critical of China'a missile exercises in the Taiwan Strait last year and imposed modest sanctions on Beijing for its nuclear testing. But, on balance, it is more accommodating than the US, at least as far as restrictions on democracy in Hong Kong are concerned.

Strengthened defence co-operation will not work unless the two sides are clear – and closely aligned – in their foreign policy objectives. Similarly they must take care not to let arguments on other matters like trade loosen the defence bond. That requires a continuing effort to maintain a close bilateral relationship on all levels.

Separately, the Japanese government must now promote en informed debate at home and abroad. Ideally that would lead towards a change in the constitution, or at least a further reinterpretation, to allow Japan to participate in collective defence arrangements. Such en idea has hitherto been taboo. Mr Ryutaro Hashimoto's government must persuade a sceptical public that it would enhance rather than threaten regional security.

Bibi's choice

When Mr Benjamin Netanyahu took office a year ago, he promised "the first coherent economic leadership in Israel's history". Instead, there has been little co-ordination in his ramshackle coalition; his strained relations with Mr Dan Meridor, finance minister, have been complemented by Mr Meridor's differences with Bank of Israel governor Jacob Frenkel.

A brave attempt to cut the bndget deficit – from 4.9 per cent of gross domestic product last year to 2.8 per cent this year – lost momentum and, crucially, has not been accompanied by promised structural reforms.

In exchange for budget cuts, Mr Meridor has insisted on lower interest rates, to reduce upward pressure on the shekel, belp exporters and boost growth which has fallen from 7.1 per cent in 1995 to an expected 3 per cent this year. The Bank, however, which has kept rates 4-5 points above inflation running at 9 to 10 per cent, believes the inflationary risk from high wages and low competition are too great to ease the reins.

Mr Netanyahu's oft-announced plans to deregulate, privatise and to break up monopolies have yielded little except column inches. The Jerusalem Report bi-weekly magazine in its end of first-year "grading" of the government's performance, remarked this week that "Bibi [the prime minister's nickname] has spoken a lot in class but hasn't produced mnch work". In January, be announced the break-up of the bus and transport monopolies; nothing has happened.

Privatisation, in a country where Bank Hapoalim, largest of the three state-owned banks, bolds 40 per cent of all deposits and accounts for 8 per cent of GDP through its industrial holdings, has moved very slowly.

Yesterday, bowever, Mr Netanyahu announced the phased abolition of currency controls, more budget cuts and faster state sell-offs. The cabinet was last night trying to resolve Mr Meridor's differences with Mr Frenkel – with the possibility that the finance minister might resign. But it is time for Mr Netanyahu to choose.

Israel's success, especially in high-tech industry, masks severe structural weaknesses among which the public and private monopolies are only the most visible. High growth in the 1990s, moreover, has been fuelled by one-off factors such as a big influx of immigrants from the former Soviet Union, increased US aid and new markets opened up by the now frozen peace process. Israel can not duck structural reform and, as Mr Netanyahn identified at the ontset, this does requira a coherence – and a determination – he has yet to deliver.

Cost of terror

The murder by Sinn Féin/IRA of two police officers in Northern Ireland sends a powerful message about the intentions of the republican movement. For all its recent political successes, terrorism remains integral to the organisation's stratagy. Even as it demands a place in multi-party talks, it is seeking to undermine prospects of a peaceful settlement.

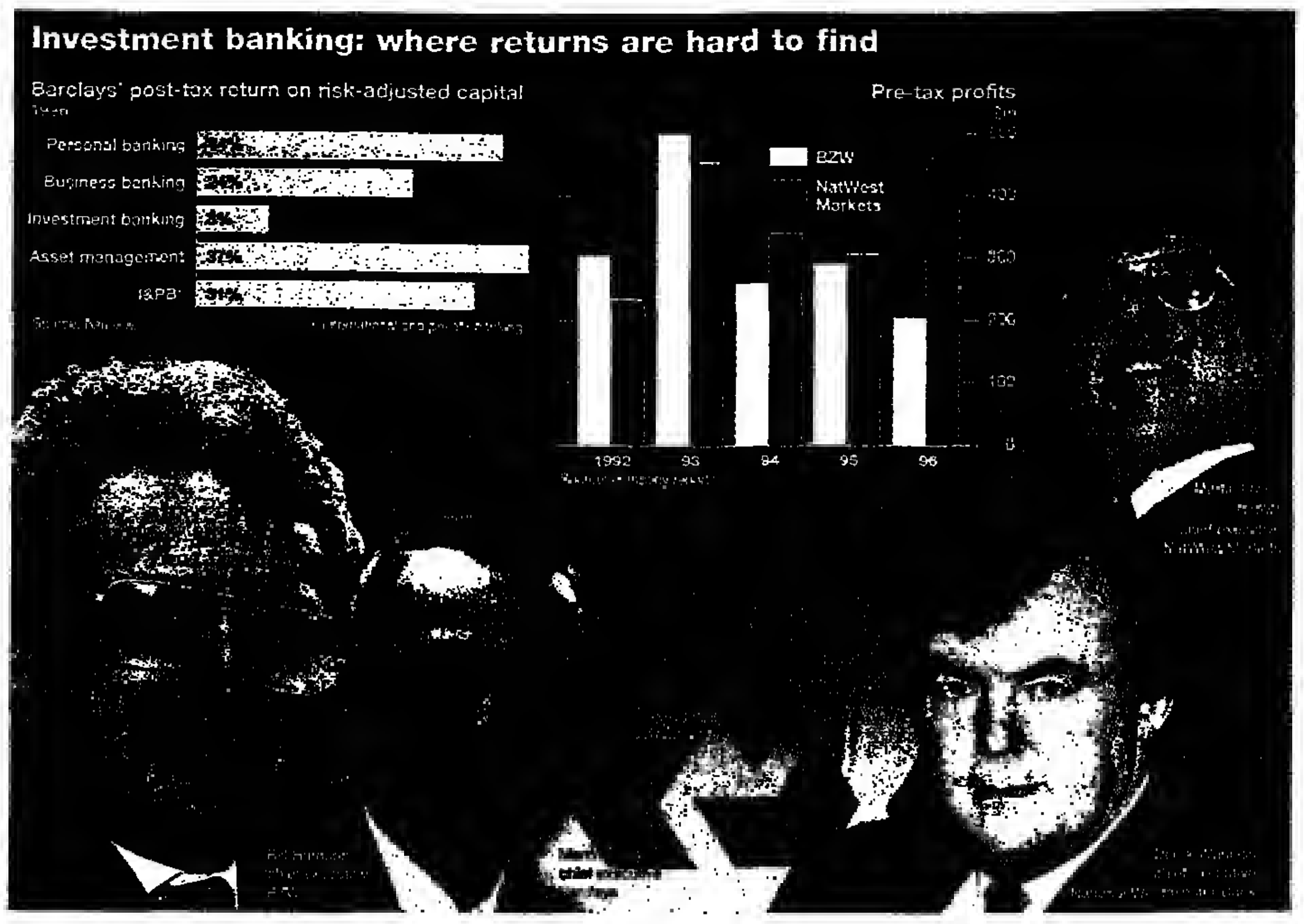
Tha timing and location of these latest murders were calculated to provoke a backlash among unionists in the run-up to the July marching season. In particular, republicans are seeking another violent confrontation at the Orange Order march in Drumcree, Portadown. Sinn Féin/IRA's aim is to provoke a backlash among loyalists which would strengthen its own position in the nationalist community. It hopes also that another descent into sectarian violence will radicalise the nationalists and put pressure on Mr Tony Blair's government to seek an accommodation.

In breaking off official contacts with the IRA'a political leadership, Mr Blair recognised the brutal cynicism behind its strategy. As Mr John Bruton, outgoing Irish prime minister, remarked, Sinn Féin's leaders are "indistinguishably allied" to the terrorists. The US administration's recognition of this reality is welcome. So too are the signs that Mr Bertie Ahern, prime minister-elect, is reconsidering hla policy of talks with the republican movement.

But it is not enough for governments to condemn and isolate Sinn Féin/IRA. Tha onus now is on Northern Ireland's constitutional parties to demonstrate that republicans have something to lose by excluding themselves from the talks process. That requires real progress by unionists and nationalists in forging a new constitutional settlement for the province.

For unionists this means above all restraint. To invita confrontation at Drumcree and elsewbere would be to play into the hands of the terrorists. Unionists must also show imagination and courage in the negotiations. As long as the talks are bogged down in arguments about decommissioning of weapons, Sinn Féin/IRA lose nothing in staying outside.

There is a parallel challenge for the SDLP led by Mr John Hume. In his understandable determination to explore every avenue to peace, Mr Hume has allowed Sinn Féin's Mr Gerry Adams and Mr Martin McGuinness to pass themselves off as spokesmen for peaceful nationalism rather than violent republicanism. The SDLP must reverse that trend by reasserting the distinctive voice of constitutional nationalism. Sinn Féin/IRA has prospered through pretence. If negotiations among the constitutional parties began to make progress, republicans might begin to see that violence carries a cost.



The price of ambition

NatWest and Barclays are finding it tough to break into investment banking, writes John Gapper

As the sharea of National Westminster Bank sagged yesterday in the wake of the resignation of Mr Martin Owen, head of investment banking, the outlook for Britisb investment banks appeared bleaker than ever.

NatWest and Barclays, tbe clearing banks that have tried to expand most beavily into investment banking, face increasingly awkward questions from dissatisfied shareholders.

"NatWest bas no obviously sizeable businesses [in NatWest Markets, its investment banking subsidiary] with attractive profitability, market share or competitiva advantage," conclndes Mr Robert Law of Lehman Brothers, one of several analysts to downgrade their profit forecasts. "It is unclear how even the most radical action can transform the prospects."

This crisp judgment on NatWest's efforts to build a global investment bank over the past five years represents the market consensus. Several of NatWest's largest shareholders now think that Mr Derek Wanless, NatWest's chief executive, may also be forced to resign. They say that if NatWest reverses its expansion into investment banking there are bound to be further casualties.

NatWest's difficulties erupted in March wben it discovered a mispricing of options in its interest rate derivatives arm in London. It has taken a £77m ($125m) loss, and five managers remain suspended whila it completes an inquiry. This week it said it expected first-balf profits in investment banking to be lower than expected, triggering a fall in its shares.

Mr Wanless is fighting on for now, having stepped into Mr Owen's shoes at the helm of NatWest Markets until he can find another banker to lead it. He insists that NatWest remains committed to investment banking. But when the dust of recent events settles, it is unclear how much will remain of its grand plans to compete with US investment banks, such as the powerful Goldman Sachs.

NatWest is not alone in facing deep uncertainty over its investment banking activities. BZW, the investment banking arm of Barclays, bas been given two years by Mr Martin Taylor, the bank's chief executive, to show measurable progress towards making a 20 per cent return on eqnity. A sharp fall in profits last year left BZW a long way from making such returns.

The problems of UK banks do not stem simply from their lacklustre results from investment banking. That has also been true of other European universal banks snch as Deutscbe Bank, which has yet to gain adeqnate returns from Deutsche Morgan Grenfell, its investment bank. Paradoxically, British banks suffer from the fact that they make more money doing other things.

The big three Swiss banks make only marginal profits at best from domestic retail banking, and have thus been forced to branch out into investment banking. British banks, by contrast, are not in the same bind. Those that have focused their capital in retail banking and mortgage lending – notably Lloyds TSB Group – have higher and more consistent returns.

Furthermore, British banks have to deal with more active and aggressive shareholders than rivals in continental Europe. NatWest has a higher target for return on equity than German or Swiss banks and bas been beavily criticised for not quite matching it. It cannot afford the slow and deliberate approach to growth in investment banking that would be acceptable elsewhere.

Some British bankers argue that investors have become overly sceptical about the merits of investment banking. "I think it is right to accord it lower earning multiples [in calculating an appropriate share price], but not to treat it as a leper's activity," says one Britisb banker. Yet this is the reality that British commercial banks increasingly face.

That is likely to mean that NatWest and Barclays will have to strip out businesses within their investment banks that do not pay their way. "We are among the European banks that have found building up an investment bank more challenging than we originally envisaged, and we are moving to a phase of trying to focus our business," says UK banker.

The logic for commercial banks expanding into investment banking from the late 1980s was clear enough. Returns on loans to big companies bad shrunk drastically, and banking customers were switching towards raising money directly in bond markets. Yet, while investment banking was a more profitable activity, it also turned out to pose problems.

One is that returns are uneven. While Barclays and NatWest made acceptable returns from treasury and capital markets in some periods, revenues were less stable tban those from bigh street banking. This led to a lower rating for their shares. NatWest is valued at £13bn, compared with Lloyds TSB's valuation of £33bn from pure retail banking.

A second is that banks have been drawn into a spiral of investment to compete not only across product areas – such as equities, bonds and corporate advisory work – but across the world. The persistent cost inflation in investment banking, which has been exacerbated by competition for highly paid employees, has further alienated shareholders.

Finally, the shift to investment banking has placed o strain on management skills. Investment bankers are notoriously hard to manage, being both well rewarded and temperamental. Britisb banks have generally avoided buying in fresh management by acquiring a large investment bank, a tactic that bas proved troublesome elsewhere.

NatWest has opted to buy a series of niche businesses such as Greenwich Capital, a US bond trading house, and a corporate finance advisory firm in New York run by Mr Eric Gleacher. It has met with scepticism from rivals. "I don't think that putting a lot of capital into a series of little businesses looks like a very sensible thing to do," says one banker.

By contrast, Mr Taylor at Barclays has chosen to hire two senior executives with experience of US investment banks – Mr Bill Harrison, BZW's chief executive, and Mr Bob Diamond, its head of fixed income – to renew its operations. This bas led to rapid staff turnover as specialists have been brought in from outside, and bas disrupted business.

The mediocre management of S.G. Warburg before it was acquired by Swiss Bank Corporation in 1995 has not persuaded investors that the British are naturally talented handlers of large integrated investment banks. Although the smaller Schroders is regarded as well managed (see rigbt), NatWest Markets and BZW still have to prove themselves.

There is one comfort large UK banks can draw from the latest upset to their ambitions: they are unlikely to be the last European banks to face tough questions about the valne of investment banking. For now, European rivals may be indulging in some *schadenfreude*. Yet, unless they do better, their investors will not remain patient forever.

Success on a modest scale

Mr Derek Wanless, NatWest's chief executive, declared on Monday that his group would "not be all things to all men".

That is a phrase that has been heard for years at Scbroders, whlch since the takeover of S.G. Warburg by Swiss Bank Corporation has been the leading independent UK investment bank.

Schroders' success is on a modest scale – it prodoced pre-tax profits of £239m ($390m) last year, compared with £462m at NatWest Markets. Yet, it is perhaps modesty that is a clue to the group's survival.

Besides banning the word "global", the most common word on other investment bankers' lips, the family-controlled Schroders has been wary of pursuing size for size's sake, and bas avoided competing bead to bead with larger rivals.

The bank's staff has remained stable compared with the flighty standards of the sector. Promotion has come from within, with rare exceptiona snch as tbe recruitment of Mr Philip Augar from NatWest Markets to head a new equities broking operation.

Tbe last year bas seen a change of generations, with tbe retirement of Mr Jean Solandt, chairman of J. Henry Schroder & Co. Yet even the younger generation has worked together for years.

Besides its extremely successful fund management operations, Schroders retains an envlable list of UK corporate clients. It acted in 122 mergers or takeovers worth a total of £21bn last year, 45 of them cross-border.

"The difference between Schroders and the likes of NatWest and BZW is that Schroders has a long bistory and a very good client list to fall back on," says one rival corporate financier. "BZW and NatWest have had to create their own client bases, which has involved the expense of hiring individuals who can bring their clients with them."

But if Schroders is the great Britisb success story in investment banking, it is a reminder of how difficult that market can be. For although Schroders is producing a post-tax return on equity of 20 per cent, mnch of this comes from fund management. Investment banking returned only 12 per cent last year.

Mr Peter Sedgwick, vice-cbairman, said the bank bad taken steps to improve that return and did "not look upon 12 per cent as the limit of our ambitions". Increasing returns will not be easy, as shown by last year's 19 per cent increase in costs, much of it associated with Schroders' decision to enter equities broking.

Schroders has been a cautious acquirer, completing the takeover of Schroder Wertheim, the New York investment bank, in 1994 and adding a small Spanish broker last year. Schroders faced in New York the same problem that Barclays or NatWest face in the UK and concluded that the only way to grow in a mature corporate advisory market was by acquisition.

Schroders' challenge will be to replicate its success outside the UK in the growing advisory markets in Europe, Asia and Latin America.

George Graham

· OBSERVER ·

Watchdog collared

■ US Securities and Exchange Commission chairman Arthur Levitt has responded to tha familiar worry that big accountancy firms depend too much on consultancy and other fees. The concern is that they're less aggressive than they should be when auditing the client'a books, especially if the auditors are looking at work done under the guidance of another part of their firm.

He's set up a standards board, prominent among whose members are Barry Melancon, head of the American Institute of Certified Public Accountants, and the chairmen of three of the country's largest accountancy firms – KPMG, Ernst & Young and Price Waterhouse. It would be surprising indeed if this line-up of the accounting profession's great and good decided that something was horribly wrong with the current state of affairs: they've often said quite the opposite. Sounds like a case of asking the fox to guard the henhouse.

The job of rocking the boat goes to the four others on the board, including Salomon chairman Robert Denham and Vanguard mutual fund group chairman John Bogel. Balancing the interests of the accounting profession and the wider shareowning public as chairman will be William Allen, outgoing head of the Delaware Court of Chancery, who doesn't even get a casting vote. But the SEC says it should be a "collaborative, not necessarily antagonistic" set-up. So all will be well.

Dinner date

■ British premier Tony Blair may not need to get out his pocket diary when he visits Hong Kong for the handover to China. With disagreements rumbling on about the provisional legislature and the timing of Chinese troop arrivals in the territory, it is a touch early to be pencilling in any top-level exchange of visits with China.

But one date is already looming: Tung Chee-hwa's first trip to London since his appointment as Hong Kong's chief executive is likely to be in October for the annual dinner of the Hong Kong Trade Development Council.

The timing will be sensitive, as it will follow Tung'a announcement of new electoral arrangements for a permanent Legislative Council. The trade body's guests are far too polite to start lobbing bread rolls across the gilded ballroom of the Grosvenor House Hotel. But Tung can expect some brickbats if his electoral arrangements go down badly around the world.

Cold coast

■ A cosmopolitan party is getting under way in Newfoundland. VIPs including Britain's monarch, Italy's president and the premiers of Ireland and Canada are turning up over the next two weeks to mark the 500th anniversary of Giovanni Caboto's arrival in North America.

The Italian explorer, aka John Cabot, is proving a bonanza for The Rock. Newfoundland has persuaded the federal government in Ottawa to pay half the cost of the celebration, which it hopes will bring in 60,000 extra tourists this summer. There's an international choir festival, a Cabot and His World symposium, and a flotilla headed by a replica of the Matthew, the boat that brought Cabot from Britain.

But it's hard to organise any such party without a bunch of historians clutching sheaves of inconvenient facts. All that's certain is that Cabot landed somewhere between Maine and Labrador – more than 1,000 miles of coast. So he may never hava seen Newfoundland.

Unabashed, the Newfoundlanders have slipped a concession to accuracy into the symposium – a debate on the location of Cabot's landfall – and decreed that the party will go on regardless.

Sterling moth

■ Tony Galsworthy seems to have spent a lot of his time studying oriental moths: he found 23 new species in producing a checklist of 900 Hong Kong varieties. Now be's been handed the ideal opportunity to extend his knowledge of Chinese lepidoptera – he'a to be Britain's next ambassador to Beijing.

His other wildlife love, bird-watching, may be a little less rewarding in northern China since the extermination campaigns under Mao, who regarded birds as a nuisance and ordered noise campaigns to frighten them into flying around until they dropped exhausted out of the sky.

A reticent career diplomat who has served in Beijing twice before, Galsworthy did let the cat out of the bag ever so slightly recently when he told the South China Morning Post be hoped to visit Beijing to continue his study of moths: he had been in "slight contact" with some people in China's capital. He didn't reveal that his studies would also involve monitoring the behaviour of the Chinese leadership.

The Financial Times

100 years ago

Insurgents In Cuba
Madrid, 17th June. According to a despatch from Havana, an insurgent band commanded by Perico Delgado bas been defeated in Pinar Del Rio; 29 rebels were killed and 7 taken prisoners. The delcgates of the industrial and commercial bodies of Cuba have proposed to General Weyler to withdraw the notes now in circulation, owing to the war, and to issue bonds of 100 pesetas in the form of a redeemable debt of 20,000,000 pesetas at 5 per cent to be guaranteed by a tax of 10 per cent ad valorem on goods imported into Cuba.

50 years ago

Canadian Buses For S Africa
Toronto, 17th June. Shipment of an order for 114 gasoline-powered buses to South Africa from the Canadian Car Foundry Company's Fort William plant begins early in July. Dr. P.R. Viljoen, South African High Commissioner in Canada, has disclosed that his country has purchased over 4,000 freight cars from Canadian Car since shortly before the war. He stated that an improvement and building programme would be completed within ten years at a cost of $180,000,000.

FINANCIAL TIMES
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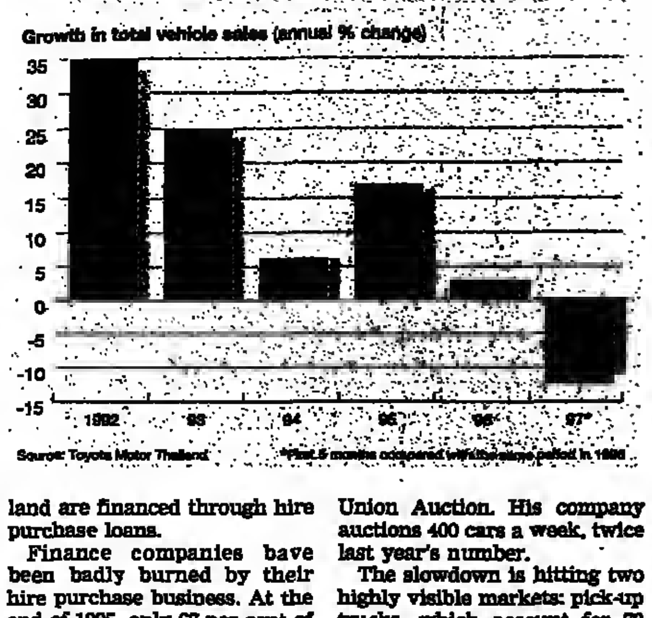
Thai vehicle sales fall 12.5% in flat economy

By Ted Bardacke in Bangkok

Thailand: car market on the skids



The bursting of Thailand's economic bubble is blowing away what is left of south-east Asia's biggest vehicle market. Figures released yesterday show vehicle sales in Thailand fell 12.5 per cent in the first five months of the year.

Full-year sales are expected to plunge to sbout 500,000 units, 100,000 fewer than projected, as the crisis in the country's financial sector squeezes sources of bire purchase finance and undermines consumer confidence.

With multinational carmakers pushing ahead with plans to invest more than $1bn in Thailand's motor industry over the next two years, fears that the industry will suffer from over-capacity are rising.

Ford Motor said initial production at a new pick-up truck plant may be smaller than hoped. "We are adjusting our schedules and cashflow projections. We are not interested in building a monument to overcapacity."

Automotive Resources Asia (ARA), an industry consultant, has lowered its projections for Thailand's vehicle demand by 10 per cent to 825,000 units in 2000. By then, annual manufacturing capacity could be 950,000 units. This figure does not include Chrysler or Daewoo, expected to announce new investments in the country by tbe end of this year.

Mr Michael Dunne, president of ARA, points out that almost 80 per cent of car sales in Thailand are financed through hire purchase loans.

Finance companies bave been badly burned by their hire purchase business. At the end of 1995, only 67 per cent of hire purchase customers were up to date with their payments, against 74 per cent in 1994, according to the Association of Finance Companies. Figures for 1996 are thought to be worse.

Some finance companies have stopped hire purchase lending. Those that remain are rejecting about one-third of all applicants, up from 10 per cent last year, Honda Motor said.

The severity of the downturn can be seen on weekend afternoons outside Bangkok, where rows of slightly used, repossessed cars are auctioned.

Business is booming, says Mr Jaray Raththaprasert, deputy managing director of Union Auction. His company auctions 400 cars a week, twice last year's number.

The slowdown is hitting two highly visible markets: pick-up trucks, which account for 70 per cent of all vehicle sales, and high-end imports such as Mercedes and Volvo, sales of which fell 32 per cent and 38 per cent respectively in May.

Ford is staging its own mini-revival of the hire purchase market, stressing the ability of its own eubsidiary, Ford Credit, to finance truck sales.

Others are headed in a similar direction. GE Capital has increased its hire purchase business in Thailand and la understood to be looking at buying the hire purchase portfolio of at least one cash-strapped company.

General Motors will also rely on in-house financing to power domestic sales.

$1.3bn deal by Royal Caribbean for rival cruise line

By Richard Tomkins in New York and news agencies

Royal Caribbean International has agreed to acquire Celebrity Cruise Lines in a $1.3bn deal that will challenge rival Carnival for leadership of the vacation cruise business.

The merger pact, announced Tuesday by Miami-based Royal Caribbean, would give the combined companies a fleet of 20 ships totaling more than 38,000 berths by the year 2000. Royal Caribbean, seeking to expand its global presence in an industry that is undergoing consolidation, said it would pay $230m in cash and issue 7.4m shares of its stock in exchange for all of the stock of Celebrity.

It will also assume about $800m of Celebrity's debts.

Celebrity, a 50-50 joint venture between Chandris Group and Overseas Shipholding Group, sails throughout Bermuda, the Caribbean, the Panama Canal and to Alaska. Royal Caribbean offers the same destinations plus the Bahamas, Mexico, Hawaii, the Far East, Scandinavia, Russia and other ports in Europe.

Royal Caribbean said it plans to keep both the Royal Caribbean and Celebrity brand names. It also said it expects soms dilution to its 1998 earnings per share as a result of the merger, but said savings would result from the sharing of overheads.

Mr Richard Fain, chief executive of Royal Caribbean, said sales growth rather than cost cuts would drive earnings higher.

"The most powerful force will be on revenues. Even a small rise in revenues translates into a big gain on the bottom line," he said.

Royal Caribbean said it expected to finance the cash portion of the purchase price through existing and new credit lines and through an issuance of additional common stock upon completion of the merger. The deal is subject to approval by the boards of both companies.

Royal Caribbean's stock closed Monday at $36⅞.

Celebrity Cruise Lines is a relative newcomer and the deal reflects the pressures on smaller cruise lines to seek economies of scale by merging with bigger companies amid increasing competitive pressures in the industry.

In spite of a hiccup in 1994 and 1995, the North American cruise market has shown strong growth in recent years. The Cruise Line Industry Association, an industry body, says passenger numbers are expected to grow from 4.7m last year to 5m this year and 7m in 2000.

Russia snub

Continued from Page 1

Anatoly Chnbais, the other first depnty prime minister. He is responsibla for Russia's WTO application – which may be approved as early as next year.

Sir Leon had boped bis visit would achieve a "conceptual break-throngb" in trading relations between Russia and the EU.

"We are in serious business," be said after a series of meetings on Monday. "At the time of Russia's accession to the WTO we will formally proclaim Russia as a market economy and abolish the limited references to a non-market economy in our legislation."

Sir Leon said the removal of this largely technical distinction could enable the commission to revise its anti-dumping legislation affecting Russia.

The EU is Russia's biggest trading partner, accounting for 40 per cent of its foreign trade. Sir Leon said the EU was likely to ratify a partnersbip and co-operation agreement by the end of the year, further easing trading relations.

France warned on budget

Continued from Page 1

minister, will tomorrow outline bis government's programme to perliament. But he is thought more likely to focus on job-creating and tax-cutting campaign promises, which might swell the deficit, than on immediate action to narrow this year'e financial shortfall.

Estimates that the French deficit could be near 4 per cent underline the fact that Paris has made no real improvement in 1997 compared with last year, once the one-off pension-related payment from France Telecom is taken into account.

The French finance ministry's budget department is said to estimate the 1997 deficit at 3.7-3.8 per cent, while its forecasting division, banking on higher growth, apparently puts it at just under 3.5 per cent.

Whether or not next month's audit confirms reports of a big deficit over-shoot in 1997, France is certain to have even bigger problems in meeting the 3 per cent target in 1998.

US price inflation drops

Continued from Page 1

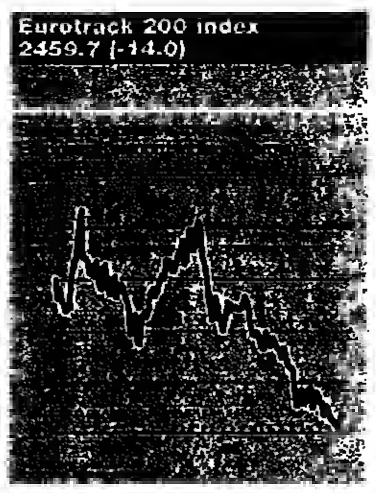
has all but disappeared. Those figures point to a further fall in the future rate of consumer price inflation.

The benign inflation figures belped stock prices rise slightly yesterday. At 1pm, the Dow Jones Industrial Average was up 14 points at 7,786. The Commerce Department reported bousing starts fell last month by 4.8 per cent after declines in March and April – the first run of three straight falls in two years. But industrial production remained robust, the Fed reported, with an increase of 0.4 per cent last month. Industry's rate of capacity use rose further to 83.7 per cent, its highest level since September 1996.

The overall rate of economic growth seems to be slowing, however, after the torrid pace of the first three months of the year. Earlier reports indicated retail sales fell sharply in April and May, and housing market activity was subdued.

THE LEX COLUMN

Double Dutch



KPN's management argued for years about synergies between digital and paper communications – ie, telecoms and post – but it has been unequal to the task of demonstrating them. And last year'e acquisition of TNT gave the postal division both critical mass and growth, removing the last excuse for delay. The group's shares have risen 17 per cent this month on expectations of a demerger, and the bulk of its perceived discount to break-up value has now evaporated. So further outperformance will require proof that the two companies can pursue more profitable strategies apart than together. As they were independently managed and neither was noticeably starved of capital, there will be no easy wins.

Nevertheless, greater focus must help both companies cope with coming market liberalisation. In postal services, competition is more of an opportunity than a threat, as most of KPN's European peers are saddled with absurdly bloated cost structures. But competition is far more distant than in telecoms, where KPN looks vulnerable to the likes of British Telecommunications. Investors must be better off with a management which cannot hide behind more comfortable postal profits. Moreover, the management will have to think long and hard about Unisource, its global alliance which has sunk to a distant third in the rankings. As an independent telecoms business, KPN will now be able to pursue equity swaps to cement alliances. But investors will be less forgiving if it picks the wrong bride.

Investment banking

Could NatWest's decision to review its investment banking arm be the early sign of a shake-out in the industry? Many investors will hope so. The European commercial banks that have charged into investment banking this decade are still mostly – NatWest apart – making good money. But shareholders are rightly concerned that the profits will not last when the bull conditions in financial markets come to an end. A cyclical boom is masking structural overcapacity.

It may be tempting to view NatWest Markets as an isolated case. But, though its financial performance does seem unusually poor, its travails are not unique. All the big Europeans with investment banking aspirations – with the possible exception of SBC Warburg – are struggling to make the mark. Deutsche Morgan Grenfell has been racked by scandal and internal commotion, Barclays' BZW has yet to show it can win substantial advisory roles and ABN-Amro's operations are still far from integrated. Neither of the main strategies used to crack the market – hiring individuals for large amounts of money or buying businesses and trying to string them together – is obviously working.

One can argue that continental banks are different from NatWest, in that they do not face much investor pressure to perform. Maybe. But this is a matter of degree and, over time, shareholders are likely to become more active. Sadly, it will probably not be before bull conditions end and much money is lost.

French budget

Just how bad is France's budget deficit? Rumours of a 1997 figure as high as 3.8 per cent of gross domestic product are unsettling its European Union partners. A number anywhere near that would be bad enough, jeopardising France's prospects of qualifying for monetary union. But to make matters worse, France gives the impression of a casual approach to how it might address any shortfall. Pledges to qualify "without detriment to employment or growth" sound like code for avoiding strong medicine.

The extent of the problem will be revealed when an audit into government finances is published next month. If deficit estimates prove to be lower, say around 3.3 per cent, this will certainly calm nerves. Senior EU central bankers have recently made clear it is the trend that matters, not absolute numbers. In other words, a degree of fudging will be tolerated. But the risk is that France sees this as licence for anything goes. This is not so. Whatever domestic pressures Mr Lionel Jospin, the prime minister, faces to ease the rigours of qualifying for Emu, the fact remains that the German electorate will reject a loosely drawn monetary union – and Chancellor Helmut Kohl knows it.

Mr Kohl is partly to blame for any misapprehension. He has conveyed the impression he will tolerate anything to see Emu achieved. But the ball is now with Mr Jospin. If be wants to keep Emu on the rails, there needs to be a clear demonstration of French willingness to undergo the necessary sacrifices.

BSkyB

Investors ara understandably unsettled that Mr Sam Chisholm is etanding down as BSkyB's chief executive. That Mr David Chance, his deputy, is shifting to a consultancy role too is a doubla blow. The duo deserves much of tha credit for building tha satallite broadcaster into by far the most successful part of Mr Rupert Murdoch's media empire. Mr Chisbolm, in particular, possesses competitive drive and strategic insight in abundant quantities. These have allowed BSkyB to carve out for itself a lucrative, dominant position and repel onslaughts from both rivals and regulators.

Mr Chisholm will be a hard act to follow. The little known about Mr Mark Bootb, his successor, is encouraging. But with BSkyB still on a glamour-stock rating, despite recent underperformance, there is substantial scope for disappointment. BSkyB's most entrepreneurial phase may be over. But it faces big challenges in maintaining its grip on the market as TV makes the switcb from analogue to digital technology.

News that BSkyB is being encouraged to leave the British Digital Broadcasting (BDB) consortium, which is bidding for a digital terrestrial franchise, shows that regulatory risk has not completely vanished. If BDB now wins the franchise without BSkyB on board, BSkyB's control of tha pay-TV market will lessen. True, BSkyB will still earn good money from supplying BDB with channels. But it will not have a say in how it competes.

See additional Lex comment on UK tax, Page 19

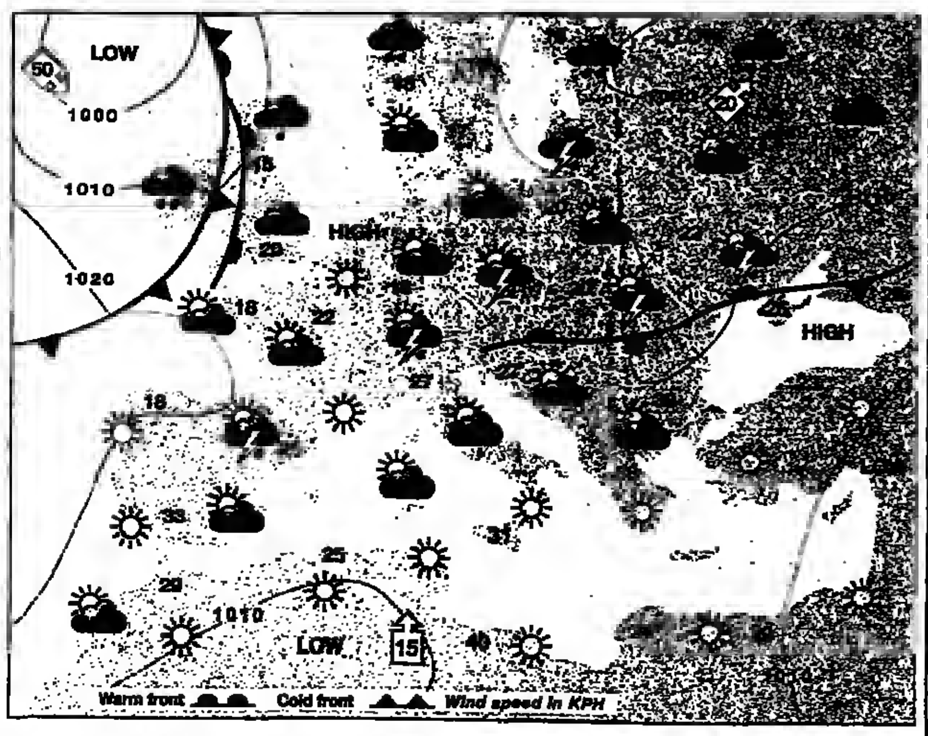
FT WEATHER GUIDE

Europe today

It will be wet over the western part of the British Isles as a disturbance moves in from the west. But high pressure will temporarily bring dry conditions to the Benelux and France. Northern Germany will have some cloud but will be dry. The south will have rain and thunder showers. Showers are also expected in the Alps. Most of Spain and Portugal will be dry with sunny periods, but there will be some thunder showers in the north-east. Northern Italy will have some showers, but southern Italy will remain dry. It will be sunny over Greece and Turkey.

Five-day forecast

A disturbance over the UK will move into north-western Europe during the week, bringing rain, showers and fresh breezes. Southern Europe will remain dry, with plenty of sunshine as high pressure continues over the area.
Eastern Europe will be cloudy and rainy as an old disturbance etalls in the area.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	shower 32	Caracas	fair 32	Faro	sun 25	Madrid	fair 26	Rangoon	thund 32
	Celsius	Belfast	rain 18	Cardiff	cloudy 19	Frankfurt	fair 20	Majorca	shower 26	Reykjavik	rain 13
Abu Dhabi	sun 46	Belgrade	fair 30	Casablanca	fair 23	Geneva	cloudy 22	Malta	sun 33	Rio	fair 24
Accra	thund 28	Berlin	fair 20	Chicago	rain 28	Gibraltar	fair 27	Manchester	cloudy 20	Rome	cloudy 31
Algiers	fair 27	Bermuda	fair 26	Cologne	fair 10	Glasgow	rain 17	Manila	thund 36	S. Frsco	sun 23
Amsterdam	fair 19	Bogota	shower 19	Dakar	fair 32	Hamburg	fair 17	Melbourne	fair 13	Seoul	fair 30
Athens	fair 33	Bombay	sun 33	Dallas	shower 34	Helsinki	rain 18	Mexico City	thund 30	Singapore	thund 33
Atlanta	shower 31	Brussels	fair 20	Delhi	sun 34	Hong Kong	rain 27	Miami	fair 33	Stockholm	drzzl 17
B. Aires	rain 15	Budapest	shower 24	Dubai	sun 46	Honolulu	fair 31	Milan	fair 27	Strasbourg	drzzl 20
B.ham	cloudy 20	C.hagen	fair 18	Dublin	rain 18	Istanbul	sun 30	Montreal	thund 26	Sydney	drzzl 16
Bangkok	thund 36	Cairo	sun 34	Dubrovnik	fair 30	Jakarta	thund 32	Moscow	shower 18	Tangier	fair 25
Barcelona	thund 24	Cape Town	fair 16	Edinburgh	rain 16	Jersey	shower 17	Munich	shower 19	Tel Aviv	sun 31
						Karachi	sun 38	Nairobi	fair 26	Tokyo	rain 24
						Kuwait	sun 48	Naples	fair 31	Toronto	rain 25
						L. Angeles	sun 24	Nassau	fair 32	Vancouver	shower 17
						Las Palmas	sun 28	New York	rain 29	Venice	thund 26
						Lima	fair 25	Nice	sun 26	Vienna	thund 21
						Lisbon	sun 23	Nicosia	sun 31	Warsaw	fair 20
						London	cloudy 20	Oslo	cloudy 18	Washington	fair 30
						Lux.bourg	fair 18	Paris	fair 22	Wellington	rain 10
						Lyon	fair 24	Perth	fair 20	Winnipeg	fair 26
						Madeira	fair 21	Prague	fair 19	Zurich	thund 18

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FINANCIAL TIMES
COMPANIES & MARKETS
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Wednesday June 18 1997
Week 25

IN BRIEF

First accounts from Campari

Campari, the Italian family-controlled drinks group, broke 137 years of silence on its financial affairs by publishing its annual accounts and reporting first-quarter results. The group stressed the move did not imply it was seeking a stock market listing. Page 16

Caja de Madrid buys 3% of Telefónica
Caja da Madrid, Spain's second-largest savings bank, has paid Pta102bn ($703m) for 3 per cent of Telefónica, reflecting the bank's strategy of becoming an industrial investor. Page 14

French group takes stake in GrandMet
LVMH, the French luxury goods group, paid £27.4m ($45m) for a small stake in Grand Metropolitan, the UK company, adding an intriguing wrinkla to the dispute over GrandMet's proposed merger with Guinness to create the world's largest spirits and wines group. Page 18

Motorola plans satellite network
Motorola, the US manufacturer of telephone equipment and semiconductors, is planning the latest in a growing line of ambitious global satellite networks. The network, to be called Celestri, would compete in the provision of complete voice, data and video communications. Page 18

Norwegian bank urged to drop bid
A bostile takeover bid by Sparebankgruppen, the Norwegian savings banks group, for Fokus Bank, a smaller domestic rival, is in doubt after Norway's financial regulator urged the suitor to drop its bid. Page 16

El Niño to hit Australian agriculture
The El Niño weather pattern is expected to cut the value of Australia's agricultural exports by 5 per cent in 1997-98 to about A$20bn (US$15bn). The El Niño phenomenon is a periodic warming of the tropical Pacific Ocean and tends to result in drought in eastern Australia. Page 24

Companies in this issue

Market Statistics

https://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Victoria Hlds	1668	+	33.0
Falls			
Allianz	380.5	-	10.5
Holzmann	506	-	18.0
Linde	1310	-	18.0
SGL Carbon	231.5	-	10.2
Viag	805	-	12.0
NEW YORK ($)			
Rises			
Appld Magnic	24⅝	+	1⅞
Equifax	35⅝	+	3¼
Unit Inc	35⅛	+	2⅝
Falls			
A.L Peps	16⅝	-	1½
Amway Japan	17	-	2¼
Tom Hilfiger	39⅞	-	4
LONDON (Pence)			
Rises			
Elec Retail	400	+	30
First Leisure	350½	+	16½
Shield Diag	545	+	22½
Falls			
Abbey Natl	631	-	37
BSkyB	566½	-	21½
ICI	822	-	27
TORONTO (C$)			
Rises			
Livent	17.3	+	1.9
Luscar Coal	7.3	+	0.7
Parta Sys	2.3	+	0.6
Falls			
Emco	15.4	-	1.15
Ibex Tech	5.8	-	0.45
Paragon Ent	1.8	-	0.6
PARIS (FFr)			
Falls			
Air Liquide	929	-	23
Alcatel	657	-	12
Labinal	1300	-	25
Legrand	1048	-	39
St Gobain	840	-	17
Vallourec	353	-	12.9
TOKYO (Yen)			
Rises			
Fuji F&M	466	+	14
Ihara Chem	823	+	27
Kajima	676	+	37
Toa Corp	517	+	22
Falls			
Furukawa Elec	701	-	18
N'bishi Paper	472	-	22
HONG KONG (HK$)			
Rises			
HK Electric	32.7	+	1.8
Falls			
Henderson Lnd	64.5	-	1.75
Hutchisn Whmp	61.0	-	1.25
New Wrld Dev	44.7	-	1.3
SHK Ppt	87.0	-	1.25
Swire Pac A	64.25	-	1.5
BANGKOK (Baht)			
Rises			
Grammy	268.0	+	18.0
Phoenix Pulp		+	
Pranda Jwlry	13.75	+	1.25
Falls			
Alphatec Elec	31.5	-	3.5
Samaggi Inc	42.0	-	4.5
Sino Thai Eng	54.5	-	6.0

New York and Toronto prices at 12.30pm.

Demerger likely to value group's base metals businesses at $7bn

Gencor close to UK listing

By Mark Ashurst in Johannesburg

Gencor, South Africa's second-largest mining group, is understood to be close to announcing a London listing for its aluminium, coal and metals businesses, which are expected to be valued at about $7bn.

Precious metals would remain part of a separate business, listed in Johannesburg.

The demerger would mark the culmination of Gencor's transformation into an international metals group, and demonstrate South Africa's commitment to a relaxation of exchange controls.

All Gencor's base metals businesses, which range from coal and aluminium to nickel and stainless steel, are likely to be grouped into the London-listed company.

The company is understood to have the support of Mr Trevor Manuel, South Africa's finance minister, for its plan to list in London. The move could raise about $1bn in new capital to fund projects in Southern Africa, Australia, Colombia and Venezuela.

The demerger is also expected to coincide with a bid by Gencor for QNI, the Australian nickel producer, which would create the world's fourth-largest nickel producer.

The merged international nickel operation would have annual production capacity of more than 130m pounds. QNI shares were suspended in Australia on Monday. Gencor yesterday held its first board meeting since saying this month it was seeking access to international capital markets.

The proposed demerger is the third and most ambitious step in the strategy of Mr Brian Gilbertson, chairman, to transform Gencor. Following its separation from Sankorp, an industrial holding company, in 1993, Gencor paid $1.2bn to Royal Dutch/Shell for Billiton, the UK-based aluminium producer, in 1994.

"We have reversed the pattern of conglomerate growth that had characterised South African business for many decades," Mr Gilbertson told foreign investors recently.

QNI bid, Page 17

Government in talks with Neste

Finnish move may bring utilities link

By Greg Mcivor in Stockholm

Neste, the partly privatised Finnish oil and petrochemicals group, and Imatran Voima (IVO), the domestic state-owned power utility, are in talks with the Finnish government, which could lead to a merger.

Finland's trade and industry ministry said yesterday it had launched a strategic review of its stakes in both companies. This will also consider further privatisation after the sale of Neste shares in 1995.

A tie-up would represent one of Finland's biggest corporate deals, creating a powerful force on the Nordic energy market. The companies would have combined annual sales of FM55.4bn ($10.7bn) and a market capitalisation of about FM26bn.

The government's review, to be completed by the end of August, is a response to intensifying competition in Nordic power markets – the most liberalised in Europe since full deregulation early last year.

A wave of restructuring has swept the region, encouraging foreign utilities such as Electricité de France, the French state utility, and Preussen Elektra of Germany to enter the market. Nordic producers have also moved aggressively into each other's territories.

Mr Jukka Viinanen, Neste president, said: "We have evaluated that a merger would be beneficial to our shareholders." Merging the companies "would make the totality much stronger", be said, adding that a combined group would rival the size of leading Nordic energy groups such as Vattenfall, the Swedish state power utility, and Norsk Hydro, the Norwegian oil and gas group.

Shares in Neste, in which the Finnish state has an 83 per cent stake, rose FM2.50 to FM138.50 in Helsinki yesterday.

The government bolds a 95.6 per cent stake in IVO, with the rest beld by a state insurance fund. The trade and industry ministry has expressed a wish to reduce its bolding to 50.1 per cent in both companies.

Dresdner Kleinwort Benson is advising Neste. Morgan Stanley and SBC Warburg are advising the Finnish government.

Publicly, IVO appeared less enthusiastic than Neste about the shake-up. Mr Heikki Marttinen, IVO chief executive, stressed the state had taken the initiative. "Our company is strategically and financially in good condition...and its structure clearly is efficient."

Ms Liz Christie, European electricity analyst at Merrill Lynch in London, said there were few synergies between the groups. "It is not immediately obvious that [a merger] is a necessary move. It is certainly thinking a long way into the future."

Neste executives emphasised that although there was little overlap with IVO's operations, both could gain from pooling their resources, particularly in developing gas-based power. Natural gas is an increasingly important fuel in Europe.

Capitalising on convergence, Page 16

First Barney's to close

By Richard Tomkins in New York

Running down the flagship: npmarket department store Barney's is set to close its branch in Manhattan Picture: Reuter

Barney's, the US department store group struggling to emerge from bankruptcy, is to close the 74-year-old store in downtown Manhattan that turned the company's name into a byword among the rich and fashionable.

It will also close two stores in Texas, in Dallas and Houston, and one in Troy, Michigan, and cut costs in its New York beadquarters, resulting in about 200 job losses from its workforce of 1,950.

The New York store in 17th Street was opened by Mr Barney Pressman in 1923 as a discount men's wear store, but in the late 1960s his son, Fred, began to take the enterprise up-market, adding European designer clothing.

Change was accelerated in the 1980s by Fred's sons, Gene and Bob, who took the apostrophe out of the name on the storefront (but not the corporate name), expanded into adjacent buildings and added women's designer clothing, turning the store into a magnet for the fashion-conscions.

The Pressman brothers then embarked on an ambitious expansion plan in partnership with Isetan, the Japanese retailing group. A flagship store was opened in midtown Manhattan and other stores were opened across the US, but the enterprise was forced into bankruptcy protection in January last year.

Yesterday Mr John Brincko, president and chief operating officer, said the closures were "disappointing" bnt the company had to focus its resources on the strongest stores with the best prospects for growth.

The 17th Street store is expected to close in September and the others by the end of July, with employees being offered jobs at other stores.

Barney's also disclosed yesterday that its sales rose by 4.2 per cent to $24.8m in April, the last month for which figures were available.

Barney's, its creditors and Isetan last week agreed to a July 7 deadline for offers for the company, with a view to agreeing a deal by the end of July for submission to the bankruptcy court.

KPN plan to separate post from telecoms

By Alan Cane in London

KPN of the Netherlands, one of the few European communications groups which still operates both post and telecommunications, plans to split into independent companies.

One, described as the logistics arm, will comprise KPN's postal operations and TNT, the Australian parcel group it took over last year. The other will have responsibility for KPN's telecoms activities.

The company said yesterday that the move was a natural progression, as the two units had developed into profitable businesses over the past nine years, operating more or less independently of each uther.

Mr Ben Verwaayen, president of KPN until September 1 when he joins Lucent Technologies of the US, said the postal and telecoms arms had benefited from their years together, but the logic of the market argued they should now go their separate ways.

There were strong differences between the two businesses, especially in management methods, scale of investment and labour-intensive versus capital-intensive operations. KPN's postal operations have been noted for their innovation and aggressive moves to capture international business.

Mr Wim Dik, chairman of the management board, will take the role of president of the telecoms arm upon Mr Verwaayen's departure and will continue as chief executive of the telecoms company after it begins independent operations, planned for next spring.

The Netherlands government, which holds a "golden share" minority stake in KPN, would bave to approve the plan, as would shareholders.

The company said the split would widen strategic opportunities for both companies and make the valuation of shares more transparent.

This bas become more important with KPN's acquisition of TNT and the involvement of the telecoms arms in Unisource, the pan-European alliance of smaller telecoms operators.

A separate share would increase the possibilities of the telecoms arm reinforcing international alliances througb mutual acquisition of sbare capital.

Lex, Page 12

Barry Riley

Second thoughts on the dividend tax dangers

In late 1992, Norman Lamont, the former UK chancellor of the exchequer, announced a cut in advance corporation tax that had the effect of reducing the gross dividends receivable by pension funds (and other tax-exempt investors) by 6¼ per cent. But the stock market fell by only about 1 per cent.

On Monday a leak of tha apparent intention of Gordon Brown, the current chancellor, to abolish reclaimable dividend tax credits entirely in the July 2 Budget statement again knocked the market by only about 1 per cent. But yesterday there were second thoughts.

David Schwartz, the stock market bistorian, baa unearthed chilling facts about such unscheduled UK Budgets. Of five since the 1960s, those in 1964, 1977 and 1979 coincided with bear markets which had all begun within the previous month. The other two fell within the 1974 bear market, the UK's worst ever.

However, we need not anticipate anything like a full reflection in share prices of the potential 20 per cent loss in UK dividend income. Tax-exempt investors account for about 40 per cent of share ownership, leaving other important categories little affected.

All the same, the UK stock market has benefited in the past decade or so from a virtuous circle: high and growing dividends have fed back into company pension schemes, generating actuarial surpluses and boosting profits. Half the schemes in the National Association of Pension Funds are receiving nil, or subnormal, employer contributions.

The problem is that the ACT change would tip many schemes back into deficit, or certainly into a weaker condition, in which full contribntions would have to resume. Some sponsors would have to inject special top-nps, as British Telecommunications did after Mr Lamont's 1992 change.

According to a new study by Philip Isherwood of Dresdner Kleinwort Benson, the tax credit is worth £2.5bn ($4.07bn) a year to pension schemes. But employers are paying some £3bn less than their "normal" contributions, and if they merely close this gap they will claim £1bn in extra corporation tax relief.

> In recent years high and growing dividends have fed back into company pension schemes, generating actuarial surpluses and boosting profits

Beyond that, the qnestion will be how schemes measure up against the Minimum Funding Requirement (newly imposed by the Pensions Act) and whether thair corporate sponsors consider it worthwhile to rebuild a cushion of surplus – perhaps phased over five years. Mr Isherwood says that to establish a 20 per cent buffer might cost companies overall between £15bn and £20bn – say £3.5bn a year for 5 years, implying another £1bn-plus of corporation tax relief.

Even so, given that tha total yield from ending the dividend tax credit, taking all shareholders into account, would be £4.5bn, the exchequer would be an easy net gainer.

But wbat would be the implications for pension fund investment strategy? Driving funds partly out of equities and into bonds might be part of Mr Brown's plan. He has already conceded interest rate responsibility to the Bank of England to bring down gilt funding costs.

In the Netherlands, where corporate pension funds have similar objectives, the average defined benefit scheme has 63 per cent in bonds against 11 per cent in the UK. In the US, according to Greenwich Associates, the comparable proportion is 25 per cent.

Looking backwards, real returns of 6.9 per cent on fixed-interest gilts over the past decade, and 4.4 per cent on index-linked gilts, have never had mnch hope against the 9.7 per cent on UK equities.

But looking ahead, a 2.8 per cent dividend yield would imply an expected real return of only about 5 per cent. You can get a real return on gilts of 4.6 per cent, if you believe the 2.5 per cent official target for inflation. That may be political window-dressing. But pension scheme trustees should worry when the equity risk premium gets this low.

Caja de Madrid buys 3% of Telefónica

By Tom Burns in Madrid

Caja de Madrid, Spain's second largest savings bank, has paid Pta102bn ($703m) for 3 per cent of Telefónica, in move that reflects its strategy of becoming an industrial investor.

The savings bank is understood to have set aside Pta300bn for such investments over the next five years, and is likely to raise its stake in the telecoms group with further equity purchases on the Madrid stock exchange.

It said yesterday the Telefónica stake had been built up over two months on the Madrid market.

The acquisition puts Caja de Madrid among the big backers of domestic industry. It also underlines a trend by the cash-rich savings banks towards industrial investments, a role traditionally played in Spain by the private banking sector.

Savings banks, which account for 44 per cent of domestic customer resources in Spain, are reckoned to have spent more than Pta500bn in the past year on equity purchases. The strategy is part of a response by the institutions to narrowed financial margins.

A group of smaller regional savings banks emerged last week as the main financial partners in a Pta116.3bn cash bid led by Stet, the Italian telecoms group, for Retevisión, the state-controlled TV signals company which will begin competing with Telefónica as a fixed-line operator later this year.

Caja de Madrid's investment in Telefónica will lift the Spanish profile of the telecoms group, which was fully privatised in February and subseqnently entered wide-ranging global agreements with Concert, the alliance of British Telecommunications and MCI of the US, and with Portugal Telecom. The agreement includes provisions for purchases of Telefónica equity by the operator's new partners.

Ahead of the sale of the 21 per cent stake in Telefónica still owned by the state, the government encouraged the creation of a hard core of shareholders to ward off an excessive foreign presence.

The banking groups Banco Bilbao Vizcaya, Argentaria and Barcelona-based La Caixa – the biggest of the savings banks and, unusually for a *caja*, a long-time industrial investor – jointly control just over 15 per cent of Telefónica.

Analysts believe that Caja de Madrid, which is the country's fifth-biggest financial institution and controls customer assets of Pta4,000bn, aims to become a fellow core shareholder by building a similar 5 per cent stake. This will give it a seat on the Telefónica board.

The Caja de Madrid treasure chest for equity purchases suggests the bank could also be eyeing Endesa, the dominant electricity generator, as an investment target. The government is planning to sell of about half the 66 per cent stake it owns in Endesa after the summer.

Brigadier takes up the cause of Liberty

New chief executive of S African financial services group sets out to promote its expansion plan

A waek after he stepped down as president of the Johannesbnrg Stock Exchange to join Liberty Life, Mr Roy Andersen was summoned for army service in the South African National Defence Force.

The aspect he most enjoys of his second career as a part-time brigadier is planning manoeuvres with former guerrillas from the armed wings of the former liberation movements.

Striking deals with old adversaries is becoming a habit for Mr Andersen, who this week began his first roadshow for international analysts since taking over as chief exechtive of Liberty Life in April.

The brigadier was the architect of Johannesburg's "big bang", which attracted a surge of new capital to the 110-year-old stock exchange from foreign institutions traditionally critical of the cosy conditions enjoyed by local brokers. His next task is to marshal similar enthusiasm for Liberty's international expansion.

In little over four decades, Liberty has grown to become Sonth Africa's fifth largest equity investor and – through its effective interest of 44 per cent in the Standard Bank empire – one of the country's strongest financial services groups.

Under the stewardship of its founding chairman, Mr Donny Gordon, the group has notched up annual net asset growth of 32 per cent for the past 10 years.

Its performance looks only slightly less impressive from outsida South Africa, where investors will do their sums in dollars. In spite of last year's sharp devaluation of the rand, Libarty boasts average annual growth in market value – in dollar terms – of 22 per cent per share over the past 10 years.

During the next two weeks of his roadshow, Mr Andersen will find foreign analysts in Europe and the US hungry for reassurance that these returns can be sustained into the next century. His response will be to promise a joint venture with an emerging black business group, and possibly a march on the US market.

A low level of domestic savings, limited social security and the rise of a new black capitalist class augur well for the life assurance market in South Africa. But mounting competition and a sluggish domestic economy may constrain future growth.

To achieve Liberty's goal of annual earnings growth of 20-25 per cent for the next 10 years, Liberty must combine innovation at home with a focused expansion overseas.

The first step will be to float its wholly-owned Charter Life subsidiary, South Africa's fastest growing life assurer and lender of policy-linked credit.

Roy Andersen: targeting all the English-speaking world, and possibly South America

The restructuring offers an opportunity to forge a new alliance with black business, which could boost both Liberty's profile in the black consumer market and its political credentials.

The merits of the plan are self-evident. Charter reported an 86 per cent increase in new premium income last year, and has assets exceeding R1.5bn ($333m). Yet its book valne, as recorded in Liberty's financial statements, is only R110m. This compares unfavourably with the R2.5bn market capitalisation of African Lifa, Charter's black-controlled and pnblicly quoted rival, which has a smaller asset base and lower total income.

The listing, which could take place this year, is likely to raise about R2bn to be shared between Liberty, Standard Bank and the new black partner. Negotiations to sell a pre-listing stake to a black-controlled financial services group are entering the final stage, says Mr Andersen. "We have a pretty clear idea who we will go with, but we may keep it under wraps until tha listing."

Abroad, he forecasts an increase in the contribution from international activities from 9 per cent of earnings last year to 50 per cent within five years.

The first phase of that expansion will be driven by property interests in the UK, where Liberty controls Capital and Counties, the fourth biggest commercial property group on the London Stock Exchange. Offshore earnings may also be buoyed by Liberty's recently launched UK pensions business and new offshore funds in Jersey.

In the longer term, Mr Andersen defines his target market as "all the English-speaking world, and possibly Sonth America", where he expects the financial services industry to mushroom.

Analysts are more specific. They say the new chief executive was hand-picked by Mr Gordon to succeed him as head of the group, but his rite of passage could be to realise the chairman's ambition of a stake in the US market.

The combination of high market ratings for life assurers in the US, and exchange controls in Sonth Africa, mitigate against an acquisition in the near future.

"It is difficult to see how they will get into the US unless Wall Street crashes," says Mr Alan McConnochie, analyst at BoE NatWest in Johannesburg. "But we have learnt not to underestimate Donny Gordon. He does pull rabbits ont of hats, and I wouldn't be surprised to see acquisitions."

Mark Ashurst

EUROPEAN NEWS DIGEST

Accor acquires casino group

Accor, the French leisure group, has become an important operator of the country's casinos by acquiring a majority stake in Société ds Participations et d'Investissements de Casinos (SPIC). The group has increased its stake to 65 per cent by buying the 25 per cent held by Sun International and 15 per cent indirectly owned by Pathé, the French media business.

SPIC, which was jointly created by Accor and the Barrière-Desseigne family, operates casinos in Nice, Cassis, Carry le Rouet and Chamonix, and has been named as the operator of a new casino to be opened in Dax. With turnover of FFr550m ($94.3m), it is the fourth largest in France. Accor acquired in 1989 a 34.9 per cent stake in SHCD, which in conjunction with the Barrière group operates the casinos in Deauville, Trouville, Enghien, Ouistreham and Menton. Accor, which has said it will concentrate on four core businesses – hotels, car rental, travel agencies and vouchers – stressed that gaming and tourist activities were "very complementary" with its hotel activities and were growing fast.

Andrew Jack, Paris

Rheinmetall adds Kolbenschmidt

Rheinmetall, the German engineering company, has increased its stake in Kolbenschmidt, the motor components manufacturer, from 25 per cent to 53.5 per cent. Rheinmetall, whose activities comprise defence technology, antomotive products, industrial machinery and office equipment, had already said it intended to acquire a majority of Kolbenschmidt and had been given the go-ahead by the federal cartel office.

Most of Rheinmetall's previous stake came from a 24.99 per cent holding bought from Commerzbank, which had originally held it for T&N, the UK engineering concern. T&N's attempt to buy Kolbenschmidt, which makes pistons, was rejected by the cartel office. The rest of the bolding was acquired from financial investors and institutions. The company plans to merge Kolbenschmidt, which has a turnover of about DM1.3bn ($752m), with its Pierburg automotive products unit. Rheinmetall will own about 75 per cent of Kolbenschmidt Pierburg, which will have turnover of DM2.5bn.

Andrew Fisher, Frankfurt

Hungarian haulier set for sale

The Hungarian privatisation agency, APV, has invited bids for an 81 per cent stake in the state haulage company Hungarocamion. The buyer will have to provide a capital injection of Ft 1.3bn ($7m) and development finance of Ft 5bn over three years, mainly to ensure Hungarocamion's 1,200 truck fleet meets EU standards. The company, which has a broad transport brief including customs clearance, has 2,900 staff, including 1,500 drivers.

This is the third attempt at privatising the haulier, after abortive tenders in 1994 and last February, when APV received one "very good" domestic offer which failed on a few conditions, a privatisation official said. However the current tender, by allowing 60 per cent of the bid price to be paid in compensation coupons (issued to Hungarians who suffered under previous political regimes) appears to favour domestic buyers. Hungarocamion had shareholder's equity of Ft 6.5bn at the beginning of the year and 20 per cent of the Hungarian road haulage market.

Kester Eddy, Budapest

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Accor acquires casino group

THORN

Leeds

Sparebank urged to drop bid for Fokus

By Greg McIvor in Stockholm

A hostile takeover bid by Sparebankgruppen, the Norwegian savings banks group, for Fokus Bank, e smaller domestic rival, was in doubt yesterday after Norway's financial regulator urged it to drop its bid.

The Norwegian Banking, Insurance and Securities Commission said Sparebank was unlikely to win acceptance from 67 per cent of shareholders, the minimum required to force changes in statutes under Norwegian law.

Sparebank, owned by a group of four large, separately-listed savings banks and 12 smaller savings banks, last week extended for six weeks a NKr73-a-share bid for Fokus. The offer, launched in April, values Fokus at NKr4.8bn ($658m), of which Sparebank would pay half in cash.

Fokus has recommended its shareholders to reject the bid. It fears that Sparebank, Norway's third largest banking group, would break up Fokus and distribute the parts among its members.

Sparebank controls about 51 per cent of Fokus, through a direct equity stake and share options. However, it has struggled to gain the 90 per cent acceptance needed for its bid to succeed automatically. Fokus has criticised Sparebank for extending its bid for such a long time, in effect accusing it of destabilising the bank and its shareholders.

The securities commission called on Sparebank to "reconsider it position, with a view to withdrawing the offer". Sparebank said it would respond soon – possibly this week.

The regulator's intervention hit Fokus's shares, which have been carrying a hefty bid premium. The stock fell NKr4 to NKr68.

Norwegian law prevents investors from holding more than 10 per cent of e financial institution – unless the holding is more than 90 per cent. Sparebank has circumvented this rule by buying Fokus share options.

However, this tactic came under fire from Norway's parliamentary finance committee. It said this week the 10 per cent rule should be applied strictly and is urging the government to tighten its scrutiny of banking mergers.

Fokus has been seen as a takeover target amid a wave of restructuring which is sweeping Norwegian financial services. It last month lost a battle with Den norske Bank, Norway's biggest, for BNbank, a mortgage lender.

At the same time, Christiania, the country's second biggest bank, and Storebrand, Norway's largest insurer, have announced plans to merge. That proposal is due to be considered by shareholders of Storebrand later this month.

Ciby 2000 might go to Hollywood

One of Europe's foremost film production companies is for sale, writes **Alice Rawsthorn**

Most film production companies can only dream of winning a Palme d'Or at the Cannes festival. Yet, in less than a decade, Ciby 2000 has won four, including one for *The Taste Of Cherries* last month.

Rather than savouring their success with *The Taste Of Cherries*, and Mike Leigh'e *Secrets and Lies*, which scooped last year's Palme d'Or, Ciby's staff face an uncertain future because the company is up for sale.

Bouygues, the French construction gronp which founded Ciby eight years ago, has sppointed Société Générale, the French banking group, and Bannon & Co, its Beverley Hills-based associate company, to find a buyer. It hopes to raise at least $70m (£43m) from the deal.

The proposed sale of Ciby, which comes shortly after Universal Pictures, part of the Seagram group, took control of October Films, the independent US film distributor and prodncer, marks the end of yet another ambitious but unsuccessful European attempt to rival the Hollywood studios.

Ciby was the brainchild of Mr Francis Bouygues, founder of the Bouygues group and, until his death in 1993, one of France's most powerful industrialists.

Having begun his business in 1952 with a FFr13,000 loan (roughly $16,500 in today's money), Mr Bouygues created a construction company responsible for such projects as the Channel tunnel, the Parc des Princes sports stadium, and the Grande Arche de la Défense on the ontskirts of Paris.

Mr Bouygues retired in 1988 and was succeeded by his second son, Martin. A year later, he announced plans to form s film production company which, he vowed, would become Europe'e equivalent to the US movie studios. His aim was even reflected in the company'e name. When pronounced in French, Ciby 2000 (*cee-bee-duh-meel*) sounds remarkably similar to Cecil B. De Mille, the legendary Hollywood mogul.

Ciby began by buying a couple of French-language film libraries, and made its name internationally in 1991 by financing the movie version of *Twin Peaks*, David Lynch's cult television series. *Twin Peaks* received mixed reviews before flopping at the box office, but Ciby made a profit from the film by selling the international distribution rights before it was completed.

Timothy Spall and Phyllis Logan in a scene from Mike Leigh's Secrets and Lies

Ciby then clinched similar deals with other acclaimed film makers, inclnding Pedro Almodóvar of Spain, Britain's Mike Leigh, and the Bosnian director, Emir Kusturica.

Ciby has since won a string of awards, including three Palmes d'Or, and produced several commercial hits, including Jane Campion's *The Piano*, *Muriel's Wedding*, the cult Australian comedy, and *Secrets and Lies*, which cost $5m to make and has taken more than $53m at the box office. Its library now includes the rights to 80 pictures, half of which are French-language.

Under Paris stock market rules, Bouygues does not have to publish Ciby's accounts, and has consistently refused to do so. However, it is thought that Ciby produced a profit last year, albeit a small one, and is expected to stay in the black this year.

Yet a film production company eits so incongruously with Bouygues' core interests that Ciby's future has been clouded by doubt since Mr Francis Bouygues' death.

Earlier this year Mr Jean-François Fonlupt, Ciby's chief executive for the past three years, made informal approaches to prospective buyers in Hollywood. Having failed to find one, Bouygues has now officially pnt the business on the block.

The success of *Secrets and Lies* provides a promising backdrop to the proposed sale, particularly as Mike Leigh's next film, *Career Girls*, is ready for release after being previewed in Cannes last month. Ciby has 10 other productions in the pipeline.

Market conditions appear favourable. The revenne potential of feature films is rising rapidly, thanks to a projected increase in cinema admissions – particularly in Europe, where scores of multiplexes are under construction – and growing receipts from television as new channels come on air.

Meanwhile, the dominance of independent productions among the Best Film nominees at this year's Oscar ceremony, including *Secrets and Lies*, highlighted the growing popularity of cross-over art house pictures.

There has been brisk competition to buy any film libraries that have come on the market in the past, particularly from companies which already own archives and can cut costs by selling more films using the same infrastructure.

Seagram, fresh from the October deal, has expressed interest in Ciby's library. PolyGram, the Dutch entertainment groap, has also said that it will "look closely" at the transaction.

Having unsuccessfully bid last year for MGM/UA, the Hollywood studio, and Samuel Goldwyn, the US independent producer, PolyGram is anxious to augment its film archive.

It may see the Ciby 2000 acquisition as a means of accelerating its attempt to become the first European company to succeed in Hollywood.

EUROPEAN NEWS DIGEST

EdP shares up 37.7% on debut

Shares in Electricidade de Portugal gained 37.7 per cent in their first day of trading yesterday, as demand for the national power company drove volume on the Lisbon stock market to an historic high – about 10 times the normal level. Trading in EdP ehares totalled almost Es38bn ($217m), accounting for more half the Es65.5bn total. This compares with a normal daily trading volume of Es6bn-Es9bn.

EdP shares closed st Es3,099, np from Es2,250, the price at which 30 per cent of the company was sold on Monday in a heavily-oversubscribed initial public offer – Portugal's biggest privatisation to date – that raised Es368bn. Although the shares hit a peak of Es4,050, the bulk of trading was at Es3,050-Es3,200 and the average trading price was Es3,100, brokers said. A total of 12.24m EdP shares were traded, of the 101m on the market as a whole. Lisbon's BVL-30 index fell 0.15 per cent from Monday's record high, to 3,166.07 at the close. EdP, the biggest company quoted on the market, has not yet been brought into the BVL-30.

Dealers said demand was strong from international institutions seeking to increase allotments that were heavily scaled down after retail investors oversubscribed 37 times and institutions 25 times. Analysts said institutions were nevertheless moving into EdP relatively cautiously. "Investors appear to be buying on fundamentals rather than speculatively," said a Lisbon broker. "We expect to see EdP's share price stabilise at Es2,900-Es3,600."

Peter Wise, Lisbon

Kiev share index launched

Wood & Co, a Prague-based stockbroking firm, yesterday launched an index to track share prices in the top 15 companies quoted on the Kiev PFTS stock trading system. The "Wood 15" index, which the firm says is the first for the Ukrainian equity market, has a base of 1,000 and closed last night at 1,010 in local currency terms.

The index comprises a 43 per cent weighting in the metallurgy sector, 38 per cent in utilities, 12 per cent in oil and gas, 3 per cent in chemicals, 2 per cent in machine building and 1 per cent in transport. The 15 companies have a market capitalisation of $1.3bn.

Vincent Boland, Prague

BT Industries in US buy

BT Industries of Sweden, Europe's third-biggest supplier of lift trucks, has agreed the purchase of Raymood of the US, a rival truckmaker, for SKr2.9bn ($373m). The acquisition will make BT the world's sixth biggest manufacturer of such vehicles by volume. The deal is to be financed partly by debt and partly by a rights issue of SKr600m.

BT had 1996 sales of SKr4.5bn and 3,600 employees. Raymond is the fourth biggest lift truck maker in the US, with sales last year of more than $300m.

Peter Marsh, London

SGL faces suit in US

SGL Carbon, the German carbon and graphite products group, said yesterday its US subsidiary had been cited in a class action suit by US steelmakers for alleged price fixing of graphite electrodes. The company's shares fell DM9.80, or 4 per cent, on the news to close at DM230.20 yesterday.

SGL said it would vigorously defend the lawsuit against SGL Carbon Corp, the US unit. The steelmakers' complaint initiating the class action also contained antitrust allegations against Ucar International, another graphite electrode maker, and Carbon/Graphite Group. SGL Carbon said the complaint had no specific factual allegations against its US subsidiary and appeared to be based on e government investigation already announced.

The company's shares have slid from around DM260 earlier this month on news that US and European Union competition authorities were investigating SGL Carbon and competitors over alleged price-fixing. The German company has denied any violations.

Andrew Fisher, Frankfurt

De La Rue sells Polish patent

De La Rue, the UK printer, has sold banknote production and security patents to the National Bank of Poland, the central bank, for an undisclosed sum. The agreement signed yesterday follows an order worth more than $10m which the NBP placed with De La Rue in 1994 for the printing of Poland's present banknotes. Under the present agreement, NBP will pass De La Rue's technology on to PWPW, Poland's own mint, which will be able to continue with the production of the country's banknotes but will also be able to offer currency production services to third markets.

Christopher Bobinski, Warsaw

Skis Rossignol slides 34%

Skis Rossignol, the French ski maker, has reported a 34.2 per cent decline in net consolidated profit, from FFr115.7m to FFr76.1m ($13m), for the year to March 31. Turnover was up 11.6 per cent, from FFr2.12bn to FFr2.37bn.

David Owen, Paris

Dassault dividend opposed

The French CGT trade union has sent an open letter to Mr Dominique Strauss-Kahn, finance minister, asking him to ensure that proposals for a sharply increased dividend payment by Dassault Aviation, a privately-controlled aircraft maker in which the French state holds 46 per cent, are blocked. The union believes the money involved could be more usefully employed inside the company.

David Owen

Campari publishes accounts for first time

By Paul Betts in Milan

Campari, the Italian family-controlled drinks group, yesterday broke 137 years of silence on its financial affairs by publishing its annual accounts and reporting first-quarter results.

It stressed the move did not imply the company was about to seek a stock market listing, although it would not rule that out in the longer term.

According to Mr Marco Perelli-Cippo, chief executive, the move reflected Campari's efforts to adapt to the financial markets' demands for transparency.

He acknowledged, however, that the decision was made easier by the company's encouraging results last year and even stronger performance in the first quarter this year.

Although net revenues fell from L670.5bn in 1995 to L592.8bn ($349m) last year, net income rose from L53.2bn to L123.3bn.

Last year the company also had a positive cash flow of L224.1bn and a net positive financial position of L74.4bn, compared with negative cash flow of L347.3bn and a negative financial position of L153.1bn in the previous year.

In the first quarter of this year, operating income rose 158 per cent to L28bn, while net revennes climbed 18.6 per cent to L158bn.

Two years ago Campari absorbed the Italian drinks interests of BolsWessanen, the Dutch food and beverages group, which in turn acquired a 35 per cent stake in the Italian company. The remaining 65 per cent stayed with the founding Garavoglia family.

Mr Perelli-Cippo said Campari had also restructured, which meant shedding its 51 per cent stakes in the Ottavio Riccadonna sparkling wine business and the Monticchio mineral water company.

"The combination of all this gives us the chance of expanding through an acquisition should a good opportunity emerge," he said.

BolsWessanen, however, has indicated its intention to focus increasingly on food rather than beverages. The Dutch group has already sold some of its drinks interests and has also suggested it might consider selling its Campari stake.

LVMH takes £27.4m stake in GrandMet

By David Owen in Paris

LVMH, the French luxury goods group, yesterday paid £27.4m ($44.9m) for a small stake in Grand Metropolitan, adding an intriguing new wrinkle to the dispute over the UK company's proposed merger with Guinness to create the world's largest spirits and wines group.

The French company said it had paid an average of 577p for 4.75m GrandMet shares, equivalent to 0.23 per cent of the UK group's capital. It said it did not intend to make an offer for the whole company.

LVMH is Guinness's largest shareholder, with a 14 per cent stake.

Observers last night speculated that Mr Bernard Arnault, LVMH chairman, was making mischief again after casting renewed doubt on the proposed deal last week by starting arbitration proceedings.

LVMH said on Friday it had submitted a request for arbitration to the International Chamber of Commerce in Paris, an independent body for arbitrating commercial disputes.

It said it considered the planned £23.8bn merger a "control event" that would trigger certain rights for LVMH under the terms of agreements with Guinness. The UK company contests the claim, saying it "lacks any legal basis".

Although the formation of the merged entity, to be known as GMG Brands, is structured as a Guinness takeover, Mr Arnault sees it as a GrandMet bid, in which the latter company emerges with the important jobs.

Mr Arnault, a Guinness board member, voted against the merger, which was announced by the two companies on May 12. They proposed that the drinks interests of all three companies be merged and the food businesses spun off.

LVMH argues the merger would give it the option of purchasing – at net asset value – Guinness's interests in all their existing distribution joint ventures. It says it could also exercise rights to repurchase Guinness's 34 per cent bolding in its Moët Hennessy drinks arm at a discounted price. Ending the joint ventures would end Guinness' control of sales in key emerging markets.

Capitalising on convergence

The Neste-IVO move reflects overlap in gas and electricity

The announcement that Neste, Finland's state oil and gas group, and IVO, the electricity generator, are studying a possible merger is the first sign in western Europe of corporate activity aimed at taking advantage of the increasing overlap between the gas and electricity markets.

The idea of a generator and a gas company combining was attractive, London-based energy analysts said. However, they were sceptical that the proposed merger would happen quickly.

"It's an interesting idea," said one analyst. "But it's about synergies in the future rather than anything immediate."

There has been much debate in the European gas and electricity industries about how to react to market trends that are driving the two sectors together.

The introduction of highly efficient combined-cycle gas-turbine power plants, which can be built much more quickly and cheaply than conventional coal or oil-fired facilities, has prompted many oil companies with gas assets to consider moving into power generation.

In the UK, where both sectors are in the process of full liberalisation, many oil, gas and electricity companies have formed partnerships. Similar arrangements have emerged between Eni, Italy's oil group, and the generator Enel, as wall as between Repsol and Endesa in Spain.

Enron, the US energy company, and the UK's Eastern Group also stand out as companies keen to capitalise on the markets' convergence.

The Finnish government's decision to double the use of natural gas in the country over the next 13 years, to meet international commitments to reduce the emission of greenhouse gases, appears to have prompted the two companies to consider a merger.

But the growing competitive environment in Nordic energy markets is likely to be the key factor in deciding how to structure a combined company.

The liberalised Nordic electricity market offers a proving ground in which a number of international energy companies have begun to appear. A divided Finnish energy industry would have been unlikely to withstand the pressure of competing with much larger international groups for a share of the regional market, said analysts.

One intriguing question raised by yesterday's proposal is whether Gazprom, Russia's gas giant, will take advantage of its joint venture with Neste to become more deeply involved with a combined group.

A merger will make "us a much more interesting partner for them", Neste said.

The Russian company's strategy in western Europe is to build its presence in the higher-value downstream gas business to offset the relatively low margins in exporting gas.

So far, Gazprom has done so mainly through equity stakes in gas pipelines, but it is also said to be keen to enter power generation.

If it does, the stage could be set for a showdown in the Nordic region between Gazprom and its arch-rival Statoil of Norway, the other big European gas exporter. The Norwegian state oil and gas company has ambitions to be the leading provider of energy in Scandinavia.

Robert Corzine and Simon Holberton

Gencor poised to launch bid for QNI

By Nikki Tait in Sydney and Mark Ashurst in Johannesburg

Gencor, the South African mining group which is poised to list its base metals operations in London, is expected to bid for QNI, the Australian nickel producer. A merger would create the world's fourth-largest nickel group.

QNI shares were suspended this week, pending a meeting of its board yesterday. Gencor directors also met in Johannesburg yesterday, and an announcement for investors will be issued by the London Stock Exchange today.

QNI stock was suspended at A$2.68, which capitalises the Australian company at about A$1.1bn (US$823m).

A merger would create a nickel producer with annual capacity of 130m pounds and a market capitalisation of about US$1.7bn.

QNI and Gencor last year announced a study to investigate the development of an integrated nickel and cobalt processing facility in a joint venture with Indonesia's state-owned PT Aneka Tambang. This could include a new nickel smelter in Indonesia using Gencor technology.

A merger with Gencor would also secure new capital to develop lateritic nickel ore deposits in Indonesia and expand QNI's Yabulu refinery.

Yabulu, which is situated close to Townsville in Queensland, is one of the world's largest lateritic nickel-cobalt processing plants. QNI stopped mining at the local Brolga and Greenvale mines some years ago, and now imports ore from Indonesia and New Caledonia for processing.

A merger would also enhance Gencor's expansion in Asia and South America. The South African group owns the Maggie Hays nickel project in Western Australia, in partnership with the smaller Forrestania Gold group, and 99 per cent of the Cerro Matoso nickel mine in Colombia, which was privatised earlier this year.

QNI, meanwhile, has been expanding its alliances in New Caledonia. Last year, it agreed to explore nickel tenements in the southern province with Noumea Enterprises. It also took a 67 per cent stake in a joint venture to acquire tenements in the northern province.

First-half profits for QNI in the six months to December 1996 showed a sharp decline from the previous year, while the company's performance in the quarter to end-March was also disappointing. Heavy rains and flooding meant nickel output fell almosi 10 per cent on the March 1996 quarter.

Nickel production in the last full year was 26,600 tonnes, while cobalt production totalled 1,425 tonnes.

Keppel to refocus its investment strategy

By James Kynge in Kuala Lumpur

Keppel, one of Singapore's largest conglomerates, is refocusing its overseas investment strategy away from China and towards south-east Asia, said Mr Sim Kee Boon, chairman.

"We are refocusing our regional investment strategy to concentrate more on Asean countries to generate shorter-term returns," Mr Sim said.

Asean, the Association of South East Asian Nations, has seven members but is due to admit Burma, Laos and Cambodia in July. "Our experience shows that projects in countries snch as China have to be seen as longer-term investments," Mr Sim added.

Most Asean countries are regarded as more transparent for business than China, and growth rates are also attractive.

Keppel, one of a handful of Singapore companies with strong links to the government, was at the forefront of Singapore's investment honeymoon with China and led the establishment of the China-Singapore Industrial Park in Suzhou, near Shanghai, in 1994. Total investment in the park to date has been US$2.5bn, substantially less than originally forecast.

Tokyo Big Bang draws westerners

The talks between Barclays and Takugin highlight trend towards collaboration

In the next few days a group of Barclays bankers will be flying from London to Tokyo on a sensitive mission.

Tha UK bank announced this week that it was considering a link with Hokkaido Takushoku (Taкugin), the Japanese commercial bank. The bankers will be thrashing out how the proposed collaboration will work, and hope to unveil some concrete deals next month.

The discussions remain wary: neither side plans a cross-shareholding. Thair collaboration is likely to focus on specific areas, such as securitisation. But the move highlights a new corporate dating game in Tokyo.

Japan's plans for "Big Bang" financial deregulation have set western banks and fund managers scrambling to expand in the Japanese market, partly by flirting with potential Japanese business partners.

These contacts are not entirely new. Most foreign banks in Tokyo have been dealing with Japanese clients for more than a decade. Barclays, for example, already has a joint investment advisory venture with the Nikko group, which it took over from Wells Fargo, of the US, last year.

But the links are gathering pace. Apart from Barclays' move, three other big deals between Japanese and foreign partners have emerged since March, and expectations are rising in Tokyo that more will soon follow.

Mr Andrew Simmonds, chief executive of Barclays' operations in Tokyo, says: "Deregulation is going to offer some exciting opportunities in Japan, and if other companies feel like us they may be looking for deals too."

Japanese banks, securities houses and insurance groups lack many of the financial skills and products that western banks and fund managers can offer. Meanwhile, foreign groups lack the distribution networks to tap into the country's corporate client base – and its honey pot of personal savings.

Forging these alliances is difficult. Many Japanese financial institutions are terrified of ceding control to foreign competitors.

It is no accident that two of the recent deals have involved weak Japanese financial groups – namely Takugin (with Barclays) and Nippon Credit Bank (with Bankers Trust), which are both plagued with high levels of bad loans.

Foreign groups are wary of tying themselves too closely to potentially troubled Japanese partners – particularly since Big Bang will give foreign banks greater scope for operating on their own.

But in some areas, collaboration is increasingly attractive – for example, in securitisation, as most Japanese banks urgently need to restructure their balance sheets.

Fund management is another focus. The country's main life assurance companies are under pressure to improve their investment performance. Although many are already using foreign fund managers for some overseas investment, most are exploring ways of contracting out more of their portfolios to foreign groups.

These talks are not simple. As Mr Hitoshi Yamamoto, president of Deutsche Morgan Grenfell trust bank in Tokyo, says: "We have been talking to Japanese life companies, but many see us as a competitor."

However, Putnam, the US fund manager, recently concluded one alliance to manage some pension funds for Nippon Life, Japan's largest life assurance company. "I think you will see more and more link-ups in the coming months," Mr Yamamoto says.

The area arguably provoking the most interest is the mutual fund business. A mere 3 per cent of Japanese personal assets is held in investment trusts, and many foreign banks are applying for investment trust licenses.

Western banks are exploring collaborating with Japanese brokers – or even with commercial banks, which will be allowed to distribute these investment trusts as part of Big Bang.

Barclays, for example, is applying for an investment banking licence and hopes that Takugin, which is the largest lender in the northern island of Hokkaido, may provide one distribution outlet.

Whether these alliances herald fully-fledged mergers or takeovers is unclear. Most Japanese financial institutions are expensive, overstaffed and burdened with high levels of bad debts.

Nevertheless, the possibility of stronger ties is provoking intense reflection. As one senior western banker says: "The Barclays deal will not be the last."

Gillian Tett

The dating game: some recent deals

- March: [illegible] Group, the US insurance group, and [illegible], a Japanese trust bank, form a joint [illegible] a 70% stake.
- April: [illegible] Bank, a Japanese [illegible] to develop financial [illegible]. They are now considering a [illegible].
- June: Putnam investments, the US fund manager, and Nippon Life, Japan's largest life assurance group, agree to collaborate in fund management. Putnam will manage some pension funds for Nippon Life and the two groups will swap information on financial products.
- June: Barclays, the UK banking group, and Hokkaido Takushoku (Takugin) announce collaboration talks. A planned tie-up is expected to involve joint development of securitisation products and the sales of financial products, such as investment trusts. Barclays may also offer overseas services, such as underwriting, to Takugin's domestic clients.

Source: Companies

Sharp rise in Hongkong Electric shares

By John Ridding in Hong Kong

Shares in Hongkong Electric rose sharply yesterday amid speculation that Mr Li Ka-shing might increase his holding in the utility or sell a stake to a strategic partner. A rise of almost 6 per cent in the shares took their climb to more than 11 per cent this week.

The increase was part of a broader rally in the utilities sector and came against a falling stock market.

Whila Hongkong Electric declined to comment, attention focused on China Everbright, the fast-growing conglomerate controlled by China's state council.

However, the Chinese company said it was not interested in a stake in Hongkong Electric.

China Everbright is one of the most active mainland-backed companies in Hong Kong. It bought an 8 per cent stake in Hongkong Telecommunications last month.

Chinese companies have made several strategic moves in Hong Kong ahead of tha transfer of sovereignty, but analysts played down the prospects of a deal with a mainland-backed business. They argued that Cheung Kong Infrastructure, rather than Hongkong Electric, had been designated as Mr Li's main infrastructure vehicle in China as part of a restructuring of his business empire earlier this year.

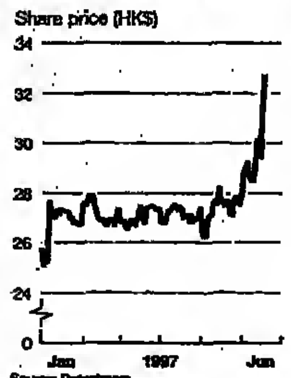
"CKI was given first dibs in power in China and Hongkong Electric was given more of a regional role," said Mr Eric Savage, at Salomon Brothers.

Reports of a possible deal were fuelled by news that Mr Zhu Xiaohua, chairman of China Everbright, held meetings yesterday at the Securities and Futures Commission, the territory's stock market regulator.

The SFC declined to comment on the reasons for the meeting, but it came as part of series of discussions with senior executives of "red-chip" companies.

Red chips – Hong Kong-listed subsidiaries of mainland groups – have been at the centre of stock market activity in recent months.

Hongkong Electric



Source: Datastream

ASIA-PACIFIC NEWS DIGEST

FBDC cancels IPO this year

Fort Bonifacio Development Corporation, the consortium which is redeveloping the former US airbase of the same name in Manila, has cancelled plans for an initial public offering this year because of the under-performance of the Philippine stock market.

Mr Ricardo Pascua, president, said the company was unlikely to float 10 per cent of its shares this year as previously announced, but it would launch a bond issue possibly as early as next month. The share issue will now have to wait until the market picks up and would be worth about $300m, he said.

The company, which owns 214 hectares in the development of a 440ha city, twice the size of Manila's main business centre, made profits of $40m in its first year of trading to December 1996, partly from pre-sales of property worth $1.1bn last November. "In four days we sold what we were supposed to sell in five years. This is beyond our wildest dreams," said Mr Pascua. The company needs to raise large amounts of money to stick to its plan of paying $1bn by 1998 towards the redemption of preferential shares.

Yesterday FBDC signed four joint venture agreements with European companies which will help in the construction of a metropolis worth $25bn.

Arkady Ostrovsky

Foster's wine unit offshore move

Mildara Blass, the winemaking subsidiary of the Australian Foster's Brewing Group, is to move offshore with a joint venture in Chile and the formation of winemaking operations in California. The Chilean deal is with Vina Santa Carolina. The two companies plan to develop and market jointly n "global" wine brand, aimed mainly at the UK and US markets. The California agreements are for grape supply and use of contract winemaking facilities, with Mildara planning to bring a Californian brand on to the US market, through its US sales network, in 1998-99.

The company, which was acquired by Foster's last year, is one of the biggest winemakers in Australia, and claims to be among tha top 10 worldwide. *Nikki Tait, Sydney*

Cathay Pacific appointment

Cathay Pacific, Hong Kong's main airline, has appointed Mr Rob Atkinson as finance director to replace Mr Victor Hughes following his retirement. Mr Atkinson was group managing director of Swire Fraser Holdings, a London insurance concern, until May 1. *AFX-Asia, Hong Kong*

Singapore Airlines deal likely

Singapore Airlines is likely to announce this week the formation of s commercial agreement with Ansett of Australia and Air New Zealand, industry executives said. The agreement is understood to include joint pricing strategies between the airlines and code sharing on routes between Australasia and Europe, via Singapore. Singapore Airlines is also considering taking an equity stake in Ansett but talks on this are at a preliminary stage. *James Kynge, Kuala Lumpur*

MBf merger talks blocked

Malaysia's central bank has withheld approval for MBf Capital, Malaysia's leading finance company, to continue merger talks with Suria Capital Holdings, a state company which owns Sabah Bank, one of the country's smallest banks. Neither MBf nor Bank Negara, the central bank, gave a reason for the decision. The central bank has been pushing for mergers in the banking and finance sector. Officials said last week that the proposed merger would be approved only if it could be proven to be in Malaysia's interest. Analysts said tha news would be interpreted negatively for MBf, which has requested that the company's shares remain suspended until further notice. *James Kynge*

Goodman purchase approved

New Zealand's Commerce Commission has approved the purchase by Goodman Fielder, the Australian foods group, of Defiance Food Industries' milling and baking operations in New Zealand. As part of the deal, Goodman will sell its Champion flour mill in Christchurch to Allied Foods, part of the George Weston group. *Nikki Tait*

State government seeks to overturn injunction suspending sale of bank

Rio appeals over Banerj decision

By Geoff Dyer in São Paulo

The Rio de Janeiro state government was yesterday trying to overturn an injunction suspending the privatisation of Banerj, the state-owned bank, which had been scheduled to take place at an auction yesterday.

Lawyers for the state government launched an appeal in a Rio court against the injunction, which was awarded on Monday evening after the trade union of the bank's employees had challenged the future legal status of Banerj's pension fund.

The auction, which had been scheduled to take place on the Rio de Janeiro stock exchange, would have been the first privatisation of a state bank in Brazil and had heen expected to begin a wave of sell-offs of other state-owned financial institutions.

However, before the auction could take place, the state government's plan to assume the bank's debts to the pension fund still had to be approved by the Senate, which was meeting yesterday to discuss the matter.

The Rio government said it still hoped to hold the auction, but analysts said there was a good chance the sale would be delayed until at least today.

Questions over the bank's pensioo fund havs dogged the Rio government's attempts to sell Banerj, and forced it to postpone the first planned auction in December.

Federally-owned Caixa Econômica Federal has set up a R$2.9bn (US$2.7bn) loan to cover the deficit in the pension fund. However, there is still some uncertainty among banks about the obligations of Banerj's new owner to the fund.

Only four of the eight banks which pre-qualified for the auction have presented the necessary financial guarantees to allow them to participate – Bradesco, Banco Itaú, BCN and Banco Pactual, a local investment bank which is acting on behalf of an unnamed client.

The Brazilian press reported last week that Pactual's client had decided to withdraw.

It was not clear yesterday whether all four hanks would actually hid in the auction, given the uncertainty surrounding the pension fund. In particular, analysts said the positions of Bradesco and BCN were still uncertain.

Other state banks in line to be privatised are Banespa, which is in São Paulo; Credireal, located in Minas Gerais; and the banks of Pernambuco and Santa Catarina states.

The federal government is also planning to sell Banco Meridional, based in the southern state of Rio Grande do Sul.

Cemex seeks partnerships in Asia

The group aims to expand without worrying markets, says **Clare Gascoigne**

Cemex, the world's third-largest cement company, plans to increase revenues from Asia five-fold over the next five years – from the current 4 per cent of total sales to about 20 per cent – according to Mr Lorenzo Zambrano, chairman and chief executive.

The Mexican group, whose revenues have grown from 11.48hn pesos in 1990 to 26.52bn pesos ($3.33bn) last year, is determined to sustain the recent rapid expansion that has brought it glohal prominence in the sector, behind Holderbank of Switzerland and Lafarge Coppée of France.

Mr Zambrano sees Asia as the group's next target. "There are a lot of young people there needing houses," he said in an interview. He added that Cemex had an instinctive understanding of how Asian markets operated. "Cement markets in Asia and Mexico are very similar," he said. "In Asia, cement is a consumer product; in Europe, it's a commodity product. In Asia, hrands matter, and Cemex products sell at a premium; in Europe, they don't."

However, unlike its growth in Latin America and Europe, where it has expanded mainly through acquisitions, the company plans to work with local partners in Asia, rather than buying outright. "We want to increase our footprint, not by having a majority, but by having operating control," said Mr Zambrano.

Such caution follows partly from the unfavourable reaction of the markets to Cemex's most recent move to gain volume by acquisition – its $700m purchase last year of two Colombian cement companies.

Investors were alarmed by the levels of debt Cemex was building up and hecame nervous about its rapid growth strategy. Shortly afterwards, Cemex was forced to pull a $340m equity issue because of a flat share price; by the end of the year, its debt to equity ratio was 58 per cent.

Mr Zambrano defended the purchase. "If we hadn't hought Cementos Diamante, then it would have gone to someone else – eo we decided to plunge in," hs said. "The timing was unexpected but we knew that the synergies would he enormous. It would have been a very sbort-term decision to forego the opportunity."

Mr Roderigo Treviño, the new chief financial officer, also insisted the Colombian venture had not damaged the company financially.

"We are a capital-intensive company, but we have excess capacity in Spain and Mexico, and will have excess in Colombia. We will not have any capital investment to make for the next two to three years, so all our cash flow can be used for acquisitions," he said.

Lydia van der Meer

Looking east: Lorenzo Zambrano (left) and Roderigo Treviño see cement as a consumer product in Asia, as in Mexico

The group has meanwhile made efforts to manage its $3.9bn debt; interest cover in the first quarter of 1997 was 1.97 times, and will be 2.5 times for the rest of the year. The group plans to buy back up to $200m of stock in the next 12 months, and has put in place a $600m revolving credit line to finance additional purchases without diluting equity.

Interest expenses fell from $148m in the first quarter of 1996 to $126m in the first quarter of 1997, and all debt is now dollar-denominated.

Mr Treviño said changes in Mexican accounting would help Cemex convince sceptical investors of its merits. "We are a multinational, but have been adjusting all our figures for Mexican inflation rates," he complained. Now the group is to restate figures according to a basket of currencies.

The disadvantagee of heing based in Mexico go beyond the accounts.

"We are perceived to be volatile because we are domiciled in a developing market," said Mr Zambrano. "Yet our operating margins are as stable as Coca-Cola's or McDonald's. We have achieved stability by being in several markets at the same time."

Emerging markets are also, he points out, those with the highest growth rates. Yet the investment community view of the company as a risky venture is so frustrating that the possibility of moving domicile has crossed his mind.

"We not considering it in the short-term – but we do let our imaginations roam," said Mr Zambrano.

US cable group to protect price of its shares

By Richard Waters in New York

Tele-Communications Inc, the biggest cable television company in the US, yesterday took steps to underpin its rebounding share price by in effect underwriting more than $500m worth of its stock, which is being sold by the estate of Mr Bob Magness, the company's late founder.

The sale of the shares had been prompted by an estimated $500m tax bill fated by the estate, following Mr Magness's death late last year.

Mr Magness built bis small rural Texas cable company, which be founded in 1956, into an industry leader before handing over the chief executive's job to Mr John Malone 24 years ago.

The tax bill had raised the prospect of a large block of TCI's stock being sold publicly, a concern that added to the slump in the share price earlier this year.

TCI's stock has recovered in recent weeks, bowever, on the back of Wall Street's renewed confidence in cable television companies' prospects.

The competitive threat from satellite broadcasters has appeared to ease with the retreat of Mr Rnpert Murdoch, who had planned a full-frontal attack on the market.

The industry was also belped by Microsoft's $1hn investment in Comcast last week, a deal that strengthened belief in the valne of the cable-TV companies' lines into US homes.

Under the arrangement announced yesterday, Mr Magness's estate will sell TCI stock worth more than $529m to Merrill Lynch and Lehman Brothers. The two investment hanks have agreed to bold the sbares for two years. At the end of that time, TCI will take on any loss or gain from the sale of the shares.

The deal will leave Mr Malone, wbo is also TCI chairman, with the right to increase his existing 7 per cent voting stake in the company.

Under a complex swap arrangement, part of Mr Magness's holding of TCI's B shares, which carry super-voting rights, will be given to the company in exchange for 30.5m of the more widely held A shares, and these will be sold to the investment banks.

Mr Malone, meanwhile, will have a right to buy the B shares from TCI over the next two years.

AMERICAS NEWS DIGEST

$647m charge puts Heinz in the red

H. J. Heinz, the US food company that announced plans for a restructuring earlier this year, yesterday reported net losses of $229.6m for its fiscal fourth quarter to April 30, compared with net profits of $170.2m in the same quarter last year. But excluding a pre-tax charge of $647.2m for the restructuring, the company said it would have made net profits of $186.2, up 9 per cent from the year-ago period.

Earnings per share would have been 50 cents without the restructuring charge, up 11 per cent from the 45 cents reported a year earlier and 2 cents better than predicted by analysts. Full-year net profits were $301.9m, or $722.8m without the restructuring charge, compared with $659.3m the previous year.

Fourth-quarter sales fell 3.5 per cent to $2.45hn, hut Heinz said this was mainly because it had eliminated inefficient end-of-quarter promotional practices that some food companies use to achieve their sales targets.

In Marcb, Heinz announced plans to cut 2,500 jobs, or 6 per cent of its total workforce, as part of a reorganisation aimed at securing earnings growth of 10-12 per cent a year into the next century. Mr Anthony O'Reilly, chairman and chief executive, said many of the initiatives incorporated in that plan were now well under way.

Richard Tomkins, New York

NCR warns on earnings

NCR, the computer company spun off by AT&T last year, warned yesterday that earnings for its second quarter would not meet Wall Street expectations. Results for the quarter would be an improvement on the same period last year, when the company reported a loss of 18 cents a share, but were set to be below analysts' estimates for net income of about 11 cents a share.

NCR hlamed the shortfall on a drop in revenues and profits from services, as well as lower orders and revenues for computer systems. However, the company remained optimistic that for the full year it could improve orders and revenue in core businesses, operating income, and per-share results.

Mr Lars Nyberg, NCR chairman and chief executive, said the company aimed to strengthen its sales and services operations by recruiting nearly 800 new employees this year. The sales force would also be reorganised into dedicated teams focused on professional services, hardware, software, implementation and support services.

"We're on a pathway to transform our business – after a fast turnround in 1996 – [in order to achieve] an annual revenue growth rate of 9 to 12 per cent" in three years, Mr Nyberg said. "We are confident of long-term euccess." NCR shared were off $1¼, or 4 per cent, at $29⅛ in mid-session yesterday.

Louise Kehoe, San Francisco

Oracle in BP software deal

Oracle, the US software company, has signed a letter of intent to acquire a software development group and product from British Petroleum. The group, with ahout 70 employees – most of them based in the UK – has developed software for gasoline refining, marketing and distribution management.

Oracle will commercialise and upgrade the software for sale to other companies in the energy sector. Terms of the agreement were not revealed, but BP will receive royalties on Oracle sales of the software. Oracle expects to close the deal within 90 days.

The move reflects Oracle's strategic push into vertical industry software markets. Earlier this year the company released software for the consumer goods industry.

Louise Kehoe

Investors shun Mainframe

Investors appeared to shy away from Mainframe Entertainment, a cutting-edge Canadian computer imaging company, on its first day on the Toronto Stock Exchange yesterday despite high expectations for the company, which produces the hit children's computer-animated TV series Reboot. Officials handling Mainframe's initial public offering said the issue had been oversubscribed and they appeared optimistic about tha company's prospects, hut the Vancouver-based group's share price was down 20 cents from its offer price to C$9.55 at midday in light trading.

Mainframe has attracted strong attention with proprietary software that helps it create detailed, vibrant graphics at a speed unmatched in the industry. Analysts remain excited hy the company'e prospects of producing a fully computer-generated feature film, an initiative seen as likely to boost Mainframe's share price. The company has acquired an option on a popular children's book and is in negotiations to produce the film.

Scott Morrison, Vancouver

Micron rise fails to impress

Shares of Micron Technology, the US memory chip manufacturer, declined yesterday despite higher than expected earnings for the third fiscal quarter, ended May 29. The company reported third-quarter net income of $97m, or 44 cents a share, compared with $58m, or 27 cents, in the same period last year. Earnings were also well above analysts' projections of 39 cents a share.

Revenues increased 25 per cent from $771m in the year-ago quarter to $965m, as Micron benefited from a slight increase in memory-chip prices, a reversal of tha sharp decline in prices over the past two years. Improved production yields also hoosted earnings, the company said. Memory chip sales rose from $416m a year ago to $511m. Personal computer sales were up 30 per cent on a year-on-year basis, but declined approximately 7 per cent compared with the second quarter.

Micron's shares were off $¾ at $41¾ yesterday lunchtime after Credit Suisse First Boston downgraded the stock.

Louise Kehoe

Kennecott in Mexico venture

Kennecott, a US unit of Rio Tinto, the London-listed mining giant, and private Mexican miner Minera Tayahua said yesterday they had signed a joint venture called Kennecott Tayahua to operate Mexican mines. Kennecott will take control of 65 per cent of 16 of Tayahua's mines, the companies said in a statement.

Reuter, Monterrey

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Canadian Pacific sells C$1bn Laidlaw stake

By Bernard Simon in Toronto

Canadian Pacific has further narrowed its focus on the transport and energy sectors by disposing of a 47 per cent voting and 11 per cent non-voting interest in Laidlaw, the Ontario-based schcol bus and ambulance operator.

Canadian Pacific raised C$1bn (US$724m) by selling its Laidlaw shares to a group of underwriters led by RBC Dominion Securities and Nesbitt Burns. The underwriters will sell the shares on to investors for C$18.85 each, payable in two annual instalments.

CP expects to poet a C$275m gain from the sale, which marks one of the final stages in its efforts to reverse the diversification of the early and mid-1980s. With interests stretching from metals to an airline, investors at one time considered CP a proxy for Canada's economy.

Following a series of disposals, the company's main businesses comprise Canadian Pacific Railway, CP Ships, Fording Coal, and a controlling stake in PanCanadian Pstroleum.

CP reported first-quarter net income of C$182m on revenues of C$2.2bn. Equity-accounted income from Laidlaw was C$23.2m, up from C$5.2m a year earlier.

Mr Peter von Ond, analyst at Midland Walwyn in Montreal, estimated that the spate of disposals gave CP access to as much as C$4bn in cash and debt, without raising its deht-to-equity ratio above 50 per cent.

Mr David O'Brien, CP chief executive, said the Laidlaw sale would achieve the objective "of narrowing our business focus and concentrating our resources on our core businesses."

The company has yet to divulge how it plans to use its war chest. Possibilities mentioned by analyste include a bid for a sizeable US railway company, or a share buy-back. Both CP and Canadian National, its arch-rival, are rumoured to be interested in Illinois Central, a Midwest railroad which would dovetail with their extensive Canadian networks.

CP bought its stake in Laidlaw a decade ago from Mr Michael de Groote, Laidlaw's founder. It was widely criticised for years afterwards for paying a premium for a business it did not understand.

But Laidlaw's fortunes improved, as fresh management moved it away from waste management towards specialised transport. It is now one of North America's biggest school bus and ambulance operators.

Motorola plans global satellite network

By Richard Waters

Motorola, the US maker of telephone equipment and semiconductors, is planning the latest in a growing line of ambitious global satellite networks, it emerged yesterday.

The Chicago-hassd company's plans are a long way from fruition, though, since it has yet to line up any financing or partners for the project.

The satellite network, to be called Celestri, would compete in one of the fastest growing parts of the global communications business: the provision of complete voice, data and video communications to large companies that operate around the world.

Other customers for such a service could include traditional telephone companies and people in remote locations that have a heavy need for high-speed interoet access and other broadband services – for example, telecommuters working from home.

The Motorola plan echoes a rival system, Teledesic, which is being creeted hy Mr Craig McCaw, the entrepreneur who huilt the largest US cellular telephone business before selling out to AT&T. That service, which also has the backing of Microsoft and Boeing, is due to begin in 2002 – the same date that Motorola is believed to have targeted for Celestri.

Like Teledesic, the Motorola system is expected to rely heavily on a network of low-orhit satellites, which are expensive to launch and maintain but which provide a higher quality service than traditional high-orbit satellites.

The emergence of these and other planned services – including a joint veoture between Alcatel-Alsthom and Loral – has prompted concerns in some quartera over whether demand for international hroadband data communications will grow fast enough to justify all these competitors.

Motorola itself already owns 21 per cent of Iridium, a company which launched the first of its satellites last month. Until the other systems are up and running, Iridium hopes to sell a mohile telephone service to customers anywhere in the world.

The company began as a Motorola unit, before other partners were hrought into the venture.

Thames raises pay-out 22%

By Jane Martinson

Thames Water warned yesterday that it could introduce a hosepipe ban this summer as it announced a 22 per cent increase in its annual dividend payout.

The London-based utility's announcement came only weeks after the new Labour government stepped up its pressure on the sector to lift investment and reduce high leakage rates.

It coincided with the publication of the annual report of Ofwat, the industry regulator, expressing concern about "unjustifiably bigh dividend increases" which undermine investment.

Ofwat said it was not convinced the industry's dividend increases were "sustainable". The regulator is preparing guidelines for its next price review.

Sir Robert Clarke, Thames' chairman, said: "I think what we have done is entirely justifiable." The group argued that half of the dividend increase was due to the effect of a reduced capital base after last year's 10 per cent share buy-back. A turnround in its non-regulated division, still a small part of its business, also contributed to the increase, so that the core water profits provided just a quarter of the rise, he said.

The group also warned that investment levels could be put at risk by "an excessive" windfall levy. The government is expected to unveil a windfall tax on privatised utilities next month.

Thames was also criticised by Waterwatch, the pressure group, for its performance on leakage yesterday, one of the industry's worst. Thames claimed that after a £200m reduction programme its performance had improved 9 percentage points to 20 per cent this year. It also announced a free leak detection and repair service yesterday.

However, hosepipe bana would be necessary unless there was significant rainfall over the next few weeks. Rainfall over the past year has been at only 70 per cent of average levels. A ban was last imposed six years ago.

Pre-tax profits jumped 63 per cent from £228.7m to £371.8m ($606m) in the year to March 31. Last year's figures were hit by a £97.2m exceptional charge to reverse a disastrous overseas policy. The underlying increase was 19 per cent.

Thames held out the possibility of returning more money to investors yesterday. Mr David Luffrum, finance director, said: "Clearly there is some capacity in the balance sheet." With net debt at £889m, gearing stood at 41 per cent at year-end. The group has said that interest cover could be cut to 4 times, down from 7.8 last year. However, he said the group would wait for details of the windfall tax.

BSkyB advised to quit as equity investor in BDB

By Raymond Snoddy, Media Correspondent

British Sky Broadcasting's equity stake in the British Digital Broadcasting consortium would rule the consortium out of the contest to launch commercial digital terrestrial television in the UK, the Independent Television Commission has said.

It has decided that the consortium – currently composed of BSkyB, Carlton Communications and Granada Group – would concentrate too much power in too few hands in its present form.

The consortium is being challenged for the right to three "multiplexes", or blocks of frequencies, by Digital Television Network, a company run by CableTel, the cable television and broadcasting services group. United News and Media, publisber of the Express newspaper, has said it would join the group if it won.

Under broadcasting legislation, the ITC must ensure any franchise award would not limit competition. It has consulted all the competition authorities, including the Office of Fair Trading and Oftel, the telecommunications regulator, and the European Commission.

Talks are now going on between the shareholders of BDB to decide how to meet the demands of the ITC.

Two options are being considered. One is that BSkyB pull out of the consortium and receive compensation. The other, more likely, is that BSkyB negotiate a deal merely to supply Sky Sports, Sky Movies and Sky One, its most popular channels. It would then no longer be an equity investor.

● British Sky Broadcasting announced yesterday that Mr Sam Chisbolm, chief executive of British Sky Broadcasting, the satellite television gronp controlled by Mr Rupert Murdoch's News Corporation, is stepping down at the end of the year on medical advice.

He will be replaced by Mr Mark Booth, the 40-year old chief operating officer of JSkyB, News Corp's Japanese satellite TV venture.

Eurotherm hampered by sterling

By Christopher Price

The strong pound continned to hamper Eurotherm in the first half, with the indnstrial controls maker reporting a 21 per cent fall in pretax profits to £14.7m ($24m).

Sales, some 80 per cent of which are made outside the UK, slipped 3 per cent to £99.5m for the six months to April 30. At constant currency rates, sales rose 6 per cent, while profits were similar to last year's £18.7m.

Mr Claes Hultman, the chief executive who beat off a boardroom coup last year, said the sterling situation was "uncomfortable, but something we are adapting to".

This had prompted the rednction of some of the company's prices, with a consequent effect on margins. However, this had been offset to some extent by the success of new products, he said. Among these were a new series of temperature controllers and graphic recorders, which Mr Hultman said had made "significant in-roads" into their markets.

Eurotherm reiterated its desire to carve out a larger presence in south-east Asia and North America. At the year-end, the company had earmarked up to £100m for acquisitions.

PowerGen sees earnings abroad

By Simon Holberton

PowerGen, Britain's second biggest fossil fuel generator, yesterday said that it expects its foreign investments to produce trading profits of about £200m ($325m) by 2003.

In a presentation to investors and analysts Mr Deryk King, group managing director, said that, if contributions from PowerGen North Sea and PowerGeo CHP were included, trading profits from new business operations would come to abont £250m a year.

PowerGen recently announced three international power projects (IPPs) in Thailand, Indonesia and Hungary.

It has seven other international investments, mostly in greenfield generation projects.

However, the company's biggest investment so far is the 1,450MW Yallourn power station in the La Trobe valley in Victoria, Australia. PowerGen owns 49.9 per cent of the power station that cost £1.3bn.

PowerGen has six investments in combined heat and power amounting to 308MW of energy and 801MW of heat. It has invested £110m in these projects to date and has further investments to make in them of £141m.

The company has invested £344m in three upstream gas projects. Like the Energy Gronp and Enron, the US energy company, PowerGen wants to be in power trading.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Appld Holographics	Yr to Mar 31	9.58	(8.08)	0.24L	(0.176)	0.91L†	(0.71)	nil	-	nil	nil	nil
Atlantic Telecom	Yr to Mar 31	8.89	(10.5)	2.85L♠	(0.812L)	7.35L†	(2.66L)	nil	-	nil	nil	nil
Business Post	Yr to Mar 31	80.6	(65.5)	16.1	(13)	21†	(17.4)	6.9#♦	July 1	5.7	10.5	8.7
Cardiff Property	6 mths to Mar 31	1.05	(0.35)	0.21	(0.12)	5.9	(3)	1	Aug 19	0.9	-	2.85
Carpetright	Yr to Apr 26	233.9	(185.3)	32.2♥	(25.2♥)	28.5	(22.3)	11.5	Sept 15	9	19	14.5
Eurotherm	6 mths to Apr 30	99.5	(102.2)	14.7	(18.7)	10.8	(13.4)	4.2	Aug 29	4	-	9
Firth Rixson	6 mths to Mar 31	74.9	(71.9)	6.49	(3.03)	3.4	(1.4)	0.8	Aug 6	0.4	-	1.4
Girovend Cashless	3½ wks to Mar 31	4.9	(-)	0.411	(-)	4.12	(-)	-	-	-	-	-
Hazlewood Foods	Yr to Mar 31	765.6	(766)	32.3♠	(34)	10.96	(13.59)	4.5	Oct 1	4.3	8.9	8.7
Hunters Armley	6 mths to Mar 31	29.3	(28.4)	1.96	(0.084♠)	5	(3.95)	1.5	Aug 15	1.5	-	4.5
ICC Bank ⁂	6 mths to Apr 30	53.5	(48.4)	7.05	(5.85)	38.1	(33.5)	6	July 1	6	-	15
Jennings Bros Φ	6 mths to Mar 29	6.22	(6.96)	0.455♥	(0.283)	4.5	(3.1)	3	July 1	2.5	-	7
London Merch Secs	Yr to Mar 31	32.7⁂	(34.4⁂)	32.8	(49.4)	10.19	(15.45)	4□	Aug 12	3.9	4.8	4.6
Mountview Estates	Yr to Mar 31	20.4	(16.1)	8.39	(7.89)	122.5	(115.5)	30	Aug 18	15	42	27
Ports & Sunderland	Yr to Mar 29	151	(138.2)	7.47♠	(16.6♥)	41.9	(130.9)	1.61	July 28	9.01	14.48	12.87
Rebus	Yr to Mar 31	66.4	(60)	5.81♠	(1.97♥)	4.61†	(0.33)	1.2	July 31	-	1.8	-
Sheriff	6 mths to Mar 31	14.2	(12)	0.32♠	(1.62♥)	1.9	(8)	2.35	Aug 15	2.35	-	7.3
Thames Water	Yr to Mar 31	1,287	(1,194)	371.8	(228.7♥)	82.8	(50.7)	23.2	Sept 1	19.1	34.4	28.3
Tinsley Robor	Yr to Mar 31	50.6	(47.1)	4.56	(3.51)	8.8†	(6.5)	1.9	Aug 29	1.5	2.8	2.25
Watson & Philip	6 mths to Apr 27	297.2	(278)	7.14	(6.78)	11.3	(12)	5.7	Aug 1	5.3	-	17.5
Wellman	Yr to Mar 31	128.5	(130.3)	5.06♠	(10.17♥)	2.4†	(5.7)	1.4	Aug 29	1.35	1.85	1.8

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Convertible	Yr to June 30	-	(-)	-	(-)	-	(-)	1.6	July 15	1.9	-	5.5
F&C Smaller Cos	Yr to Apr 30‡	209.48	(216.69)	3.61	(2.72)	3.42	(2.57)	1.72	June 5	1.53	2.6	2.33
H Samuel UK Emerg	6 mths to Apr 30	111.3	(103★)	0.071	(-)	0.25	(-)	-	-	-	-	0.95
Second Cons	6 mths to Apr 30	74.3	(70.3)	0.305	(0.403)	0.6	(0.81)	-	-	-	-	-
Taveners	13 mths to Apr 30	109.7	(-)	0.096	(-)	0.61	(-)	0.2	Sept 15	-	0.2	-
Witan	6 mths to Jun 30	-	(-)	-	(-)	-	(-)	3.05	July 1	3.05	-	8.65

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. #Second interim in lieu of a final. ♦Excludes special of 9.1p. ⁂Net rental income. □Excludes proposed special of 10.5p. ‡Comparisons restated. ★As at Oct 31.

Downgrades help depress NatWest

By George Graham and John Gapper

National Westminster Bank's shares slipped again yesterday, as stockbrokers downgraded their forecasts for the bank's performance in the wake of Monday's profits warning.

NatWest warned that first-half profits at NatWest Markets, its investment banking division, were likely to be "significantly lower than for the same period last year", so that group profits in the six-month period were not likely to exceed £770m.

That led analysts yesterday to reduce their forecasts for the full year to £1.72bn-£1.79bn, where some had previously expected profits of more than £2.1bn.

Even Dresdner Kleinwort Benson, a consistent seller of NatWest abares over the past 18 months and already responsible for the lowest forecast in the market, cut its estimates further, from £1.76bn to £1.72bn.

NatWest shares fell 9¼p to 745½p yesterday, after losing 5 per cent on Monday. The fall was more muted than for some other banks; Barclays dropped 17¼p to £11.95, and Lloyds TSB 20p to 606¼p.

Investors have been taking stock of NatWest's statement that it would be carrying out an extensive review of NatWest Markets' operations following the resignation of Mr Martin Owen, the division's chief executive.

Bnt some brokers said NatWest appeared to be preparing for relatively minor adjustments rather than a wholesale reduction in its investment banking ambitions.

"That is exactly what the stock market doesn't want to hear," one analyst warned.

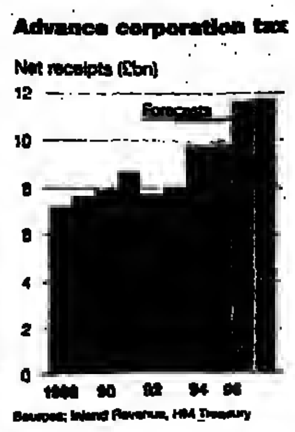
NatWest said the focus of the review was on improving risk controls after the discovery in March of options mispricing that cost the bank £77m.

NatWest Markets insisted the bank was not pulling out of the eurobond market, but acknowledged that it had said nothing about whether it would cut staff.

NatWest separately disclosed details of the creation of a new European investment banking group, which will be headed by Mr George Magan and Mr Alton Irby, heads of its corporate advisory business. It will include acquisition finance and the debt and equity origination operations within NatWest Markets.

LEX COMMENT

ACT



One oddity in the Treasury's leaked thinking on advance corporation tax (ACT) seems to have gone largely unnoticed. This is the peculiar suggestion that, while keen to abolish the ACT *credit*, the Treasury apparently has no intention of abolishing the corresponding *tax*. If this is so, it should urgently rethink. If the credit were abolished, the tax would lose its only purpose. It would become a pointless complicatloo. But what about the cost of abolition? This sbould hold no terrors. Essentially, the Treasury could have two concerns.

One is that wholesale scrapping of ACT would have a one-off timing effect, with billions of pounds in corporation tax revenues delayed by up to nine months. But this is little more than a cosmetic worry; the markets would rightly regard the resulting one-off blip in the public finances as just that.

Then there is the trickier problem of companies, mainly with large foreign earnings streams, which are overtaxed because they pay ACT they cannot claim back. But if the Treasury is hoping to hang on to this wholly indefensible source of extra revenue, it should think again. Currently, companies are often reluctant to use the obvious solution – foreign income dividends (FIDs) – because pension funds cannot claim tax credits on them.

But if dividend tax credits were abolished, this burdle would be removed. FIDs would presumably flourish and the government's convenient little side-earner, surplus ACT, would largely vanish.

Market cringes as chancellor ponders dividend tax credits

Ross Tieman considers the implications of a new fiscal regime

Bleary-eyed UK investors are awakening slowly to the threat posed by the chancellor, Mr Gordon Brown, as he raises an axe over the tax credit pension funds receive on company dividends.

The FTSE 100 index fell 62.9 to 4,682.2 yesterday amid assertions that if Mr Brown followed Treasury advice to abolish the credit in his Budget in a fortnight's time, shares in UK companies could be worth about 10 per cent less than under the current tax regime.

Mr Brown wants companies to pay out less to their shareholders and instead invest the money in research, development, and modernising production equipment.

The Treasury, and some independent advisers, have told him that sbolishing the pension fund tax credit would achieve that goal, and top up the Whitehall coffers by about £5bn ($8.15bn) into the bargain.

But it may leave millions of workers with pensions facing double taxation and pose difficulties for companies committed to keeping employee pension funds in credit. It could also have a significant impact on share prices.

Tha faculty and institute of actuaries and the Institute of Chartered Accountants yesterday urged the chancellor to retain the credit.

At present pension funds can claim a 20 per cent credit on taxed dividends from their investments. This ensures that pension contributions are untaxed until the pension is paid, when they are taxed as income.

This principle is especially important to tha 10.5m employees who contribute to occupational pensions, and the 7m who already receive them.

Snch schemes take two forms. Under defined benefit schemes, companies undertake to ensure employees receive a given monthlypension upon retirement, and to make up any shortfall in the fund. Although still covering the majority of occupational pension scheme members, these are gradually heing superseded by defined contribution schemes, where the pay-out depends upon investment returns earned from specified contributions.

If the chancellor removes the tax credit from defined benefit schemes, companies could be obliged by law to make up any shortfall arising in the fund. The cash would have to be dedncted from pre-tax profits.

"At the moment, most company pension funds have got healthy surpluses," says Mr Peter Hobbs, head of the tax faculty st the ICA. But who can say how those conditions might change?

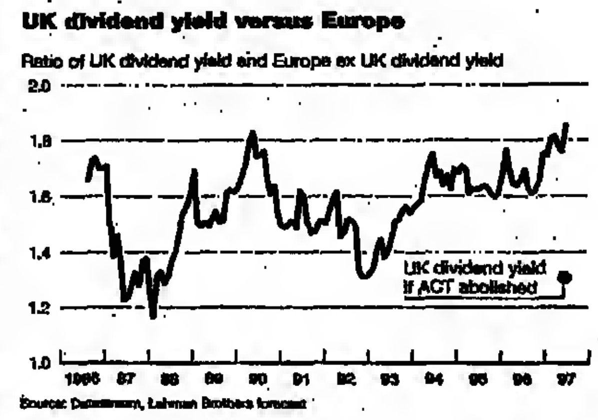
As for the effect npon defined benefit schemes, Emap, the publishing company, has already warned that benefits to pensioners will fall by 15 per cent if the scheme's dividend income is taxed.

Bnt because abolition of the tax credit would reduce the net dividend paid by companies to previously tax-free investors, it could cut the value of the companies themselves.

On the simplest arithmetic, since half the stockmarket is owned by tax-exempt investors, and the dividend credit is 20 per cent, then abolishing the credit would reduce the value of quoted companies by 10 per cent.

A study by ABN AMRO

UK dividend yield versus Europe



Hoare Govett, using option prices, suggested the market was already discounting a cut in the credit to 15 per ceot next year, and to 10 per cent in another two to three years' time.

Mr Mark Brown, the broker's strategy chief, says the market would therefore need to fall another 5-7 per cent to take full account of abolition, and "we have had 2 per cent of that" since Monday, when the chancellor'a intent became clear.

Mr Ian Scott, strategist at Lehman Brothers, points to the underperformance of the UK market this year, compared with European rivals, as further evidence tbat a sizeable cut in the dividend credit is already being factored into share prices.

Dividends paid by UK companies have historically been higher than those paid by most European rivals, as the chart shows. Abolition of the tax credit might trigger a re-rating, but not a rout, Mr Scott believes. "If you were to take off the 20 per cent tax credit from the UK yield the ratio would fall to the bottom of its historic range by not out of it," he says.

Part of the market's hesitancy arises from uncertainty about any accompanying steps the chancellor might take to promote investment, such as offering companies tax relief on capital equipment – a step that would enhance corporate profitability.

Critics of the present system argue that UK institutions need to be weaned from their dependence upon dividends, and that the market will not fall because investors from overseas will make up any shortfall of share buyers.

Even the case that hefty dividends undermine investment is open to challenge. Initial findings from unpublished research carried out for the National Association of Pension Funds at City Business School suggest companies that pay ont a high proportion of their profits in dividends also have higher levels of spending on research and development than those that don't.

Only on one point are all commentators in agreement: no-one can be sure what all the effects of abolishing the tax credit would be. wb

Dos finds new champions

Microsoft developed MS-Dos, the personal computer operating system, in 1981. The text-based interface remained one of the best-selling pieces of software until Windows 95 was introduced – and even that is based around Dos.

As an operating system, sitting between software such as a word processor and the computer's internal commands, Dos leaves much to be desired, and has now mostly been superseded by Windows. But it was designed when memory was scarce, processors expensive and screens very basic: exactly the problems facing makers of so-called embedded systems, which are constrained by size and the need to be very cheap.

Devices such as set-top boxes, providing home banking or internet access through the television, or point-of-sale terminals in shops, are priced for the consumer market and cannot afford the 32MB of memory and powerful multimedia processors now common in home PCs.

Microsoft has abandoned MS-Dos but two rivals, International Business Machines' PC-Dos and Caldera's OpenDos, formerly Novell Dos, are trying to revive the operating system with web browsers that allow internet terminals to run with as little as 4MB of memory. And at £25 for the memory, and Intel 80486 processors selling for very little, handheld PCs and internet-connected phones can have the power of a three-year-old computer.

Unfortunately for IBM and Caldera, a private US company, Microsoft has just made its cutdown version of Windows 95, Windows CE, available for embedded systems. But Caldera's Jon Williams points out: "There is no other operating system in the world that has such a high level of programming knowledge," he says. "Cost is one of the most important things in this market and products using OpenDos can cut out the expensive graphics support and memory which Windows needs."

Microsoft claims an advantage because of the dominance of Windows 95: software companies can relatively easily convert their existing software to run on embedded devices. But while Windows CE has been enthusiastically adopted for handheld computers, the same may not be true for embedded devices: Excel or Word are not needed on an internet set-top box.

John Galvez, OEM marketing manager at IBM, says Dos has a future: "The memory requirements of Dos are so much less [than Windows CE] and system requirements are all-important to the embedded marketplace. We believe Dos will still be around in five years time." The first appearance of IBM's Dos in a UK handheld computer will be the all-weather PC from Radix, due to launch soon.

Caldera already claims a big sale, to "one of the top five consumer electronics manufacturers", and Williams is taking an aggressive marketing strategy, focusing on potential customers that would take more than 100,000 copies. Caldera is not conceding any ground to Microsoft: "Windows 95 owns the desktop today, but the embedded systems marketplace is soon going to be 10 times the size."

Ironically, Caldera is suffering from the unpopularity of Microsoft's Dos. "The name 'Dos' gives us some problems," admits Williams, "but the people we have taken the product in have been very happy with it."

James Mackintosh

Using the Net • **David Bowen**

Open door for online house sales

Real estate agents can adapt to the benefits of selling online or miss out on a big opportunity

Sally Thompson is a 67-year-old who is moving with her husband from Las Vegas to Florida. She has found a new house and is now trying to sell her own. Visit *www.llv.com/7sbo/* on the the world wide web to see it.

Thompson belongs to a rapidly growing group of Americans who use the internet to buy and sell property (real estate). She bought her Florida home by looking at the web page of a "buying agent," Patti Amber, and contacted her by e-mail. Amber used her local contacts to draw up a shortlist, which she displayed on a private area of her website. Thompson chose the ones she wanted to see, flew to Florida, and within two days had struck a deal. "In the old days I would have spent a week driving around," she says.

She admits that she is unusual for her age, being "something of a computer geek," but insists that "within a year or so internet real estate trading really will take off". She created her own site with the help of a word processing program and a digital camera – if she sells the house, she will have saved herself 6 per cent commission.

When the scalps garnered by the internet are put on display, many people believe property agents will feature prominently. The ability of the internet to bring people together directly threatens all intermediaries, but few are as vulnerable as real estate agents. Unlike a newspaper advertisement, a website can carry vast amounts of information – not just about the house but about the area.

Add video (coming soon), interactive maps and mortgage calculators, as well as transmission of documents by e-mail, and the internet is a powerful tool – or a threat.

Even in Europe, which is well behind the US, some realtors are already nervous. "If I had the option of walking around 15 agents or looking at them all from one site, I know which I would choose," says David Taylor, area manager of Chestertons Residential in London.

But intermediaries will not necessarily lose out. Although private sales will inevitably increase (the Abele Owners' Network, *www.owners.com*, lists 18,000 privately offered properties in the US), intermediaries which adapt can thrive. "I've handled millions of dollars worth of property on the internet," Patti Amber says. "I don't do conventional advertising any more."

Amber has just sold a house to a client from Japan. He used the internet to cut his choice from thousands of properties to a few dozen, spent three days driving round Florida with Amber, then put in an offer. The technology was necessary – but so was the human touch. Jim Swann, administrator of Ired, an internet property listing site, *(www.ired.com)*, believes that is why buying agencies are thriving: "They really can take advantage of the internet," he says.

Agents are already using the technology to enhance their service. Amber will, for example, take a set of digital 3D photographs and display them on a private web area for one client.

Conventional real estate agents in the US are busy setting up websites to try to protect their position. Coldwell Banker, a franchise operation with 2,600 offices, has relaunched Coldwell Banker Online *(www.coldwellbanker.com)* as the centrepiece of its marketing effort. It lists 140,000 properties and, the company says, "is a huge media for us, a very big success".

The volume of properties now available online makes the web a reasonable starting point for any American looking to move. Ired lists 13,000 US property sites: the biggest belongs to the National Association of Realtors *(www.realtor.com)*, with 800,000 homes fed in by its members. HomeScout *(www.homescout.com)*, run by the Cobalt Group, a US internet marketing company, carries 440,000 properties from 200 agents.

In Europe, the story is different – or several steps behind. The UK, the most advanced European market, has several sites similar to HomeScout. One of the larger ones is Internet Property Finder *(www.propertyfinder.co.uk)*, but ask it to find a house in London – anything over £50,000 – and it lists just 64. IPF has fewer than 1,200 properties listed – it seems unlikely that more than 20,000 are listed on all UK websites.

That does not mean it will not become a serious tool for the general buyer. "This year has been a learning curve," says Judith Vosper, product manager at Woolwich Property Services. "We have gone in fairly cautiously, but in the next year we will be more aggressive."

Tha Woolwich site *(www.wps-property-seeker.co.uk)* has been expanded to cover a selection of homes from all branches; eventually, Vosper hopes, Woolwich will have an intranet that automatically carries all properties from all its offices.

Other companies, including Chestertons and Knight Frank, are also moving beyond the pilot stage after being impressed by the initial response, particularly from abroad. Overseas sales have been the one area of real progress. Upmarket London estate agents have received much interest from Asia, especially Hong Kong, and there are reports of sales completed entirely online. Prestige Properties International *(www.zynet.co.uk/ukhomes)* has matched up at least one £1m property with a Scandinavian owner.

One of the few British agencies to have integrated its websites into its normal marketing operation is Chancellors, based in Ascot, Berkshire, *(www.chancellors.co.uk)* – its customers come both from overseas and from the US-influenced technocracy of the area.

But there is widespread agreement that there must be fewer, bigger sites if critical mass is to be reached in the UK. "I think we will end up with a couple of big brand sites," says Ed Butcher of Red Fuse, which set up the Woolwich site. First, though, traditional jealousies must be suppressed.

It now seems that two sites will emerge. The more forward-thinking agents are concerned by this. "I'm not bothered particularly which way we go, but it is important we go down the same route rather than letting outsiders take over," Taylor says. Would Woolwich and Halifax, say, be prepared to link up on one site? "I'd be a little surprised if [Halifax] wanted to," says Vosper. "But I would listen to what it had to say."

David Bowen edits Net Profit, an internet business newsletter. (www.net-profit.co.uk).

Information Technology

● The FT's review of Information Technology appears on the first Wednesday of each month.

Watching brief

Safe delivery of electronic documents

A new program called Posta, which operates over the internet, finesses the failings of electronic mail attachments. The problem is a serious one: attachments, documents which are attached to e-mail messages, often arrive garbled or not at all because of software incompatibilities.

Posta, a document shipping system which sits on the computer system of an employer or internet service provider, promises more reliable delivery. Rather than the document itself, the recipient gets an e-mail notice with a link to a specially created web address for the file. The service, which tracks when a document is accessed, has many applications, such as recording the delivery of documents and auditing the readership of electronic newspapers.

Tumbleweed Software, US: web: www.posta.com; e-mail: info@tumbleweed.com; tel: 415 369 6790

Software finally finds its voice

Some software can interpret the way people normally talk; some can understand not just the vocabulary of specialists such as doctors and lawyers, but everyday language; but no commercial voice recognition product has been able to do both.

Until now, claims Dragon Systems, one of the leading developers. It says NaturallySpeaking, launched this month at an introductory price of $299 in the US, will transcribe continuous speech at about 100 words per minute, making only a few errors for every 100 words after the software has been "trained".

Dragon will not have the market to itself for long: in August, IBM is bringing out ViaVoice, a $199 program which can recognise continuous and general speech.

Dragon Systems, US: web: www.dragonsys.com; email: info@dragonsys.com

Improved resolution for displays

A new product from Samsung Electronics of South Korea promises to accelerate the development of high-definition flat-panel displays.

Its new liquid crystal screen, which it claims is the highest resolution commercially available, crowds 1m pixels or dots on to a 2.3in display. This density, achieved by applying semiconductor development technology to thin film transistor LCDs, is equivalent to 430,000 pixels per square inch.

This resolution, close to that of ink on paper, would represent a breakthrough if applied as Samsung plans to full-size laptop screens by 1999.

While semiconductor chip performance doubles about every 18 months, the definition of commercial flat-panel displays takes more than five years to improve to the same degree.

Samsung, South Korea: web: samsungelectronics.com; tel: 2 727 7838

When laptop mobility meets speed

A neat solution for the laptop owner wanting the speed of the corporate network at work, but the mobility of dial-up access on the road: Xircom has demonstrated a PC card which can handle a connection to an ethernet internal network at 10 megabits per second (mbs) or 100mbs as easily as it can a link over a telephone line at a more modest 56kbps (thousand bits per second).

Xircom, US: web: www.xircom.com; tel: 805 376 6932

How to win at the web paperchase

Adobe, the image software developer, and Hewlett-Packard, one of the leading manofacturers of scanners, want to take the hassle out of posting paper documents on the web. It is a complicated process, requiring a scanner and software which converts the image into a file in the portable document format, and a product such as Microsoft Index Server 1.1.

The companies have made these work together so that, in principle, a document can be scanned, converted into Adobe's portable document format, indexed so that it can be searched, and posted to a website – all with a single click.

Hewlett-Packard, US: web: www.hp.com/info/scan-to-web/

Post-haste: Posta software promises more reliable delivery

Recordings made in a flash

Flash memory, an advanced memory chip which retains data even when the power is off, may have failed to live up to the excitement it generated in the early 1990s, but is now beginning to come into its own. A unit of Toshiba, the Japanese electronics company, is launching a voice recorder which can record up to an hour of sound in flash memory rather than tape. Flash memory, as well as being less bulky than a cassette, has no moving parts and is less of a drain on a recorder's battery. Toshiba Video Products' DMR-60 model is one-third the weight of a microcassette recorder.

Program that mines gold from data

Data mining, the computer-assisted extraction of useful patterns from huge mounds of raw data, can be as useful to securities traders as the technique is to retailers and banks.

Performance Trading Technologies' recently updated Profile Analyzer, a software product for the Windows NT operating system, is a market database which allows users to judge the success of their trading ideas.

Traders can ask in plain English, for example, how the market has performed on all days on which employment figures were announced.

Performance Trading Technologies, US: web: www.ptti.com; tel: 212 972 1702

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Hopes for Emu help lift Italian BTPs

GOVERNMENT BONDS

By Michael Lindemann in London and John Labate in New York

Most European bond markets headed lower yesterday, while US Treasuries were hit by increased production data.

Italy was the only exception, with a rise in the price of BTPs reflecting investors' relief that the European Union summit in Amsterdam had reached agreement on plans for a single currency.

Mr Heinz Gunasekera, bund analyst at UBS, said delays to Emu had been factored into hard-core European bond prices before the weekend, helping them upwards, but were now being discounted given the Amsterdam agreement.

"An agreement, especially for a soft Euro, is bad news for bunds, for instance," he said.

GERMAN BUNDS reacted accordingly. The September bund future lost 0.39 to settle at 101.32 and underperformed against US Treasuries. The spread of Treasuries over bunds tightened 3 basis points to 80 points.

Mr Gunasekera said German domestic investors had been buying bunds but international investors remained wary because of Emu confusion. They were eyeing Danish bonds as an alternative or switching to the dollar bloc. Gilts, he said, remained a worry in the short-term because of concerns about the UK Budget on July 2.

UK GILTS were also subject to profit-taking. Although they started the week well, following reports that equities could be hit by the July budget, sentiment seemed more mixed yesterday.

Mr Huw Roberts, European bond strategist at NatWest Markets, said gilts could also feel downward pressure if Mr Gordon Brown, the UK chancellor, did not do enough to slow down consumer spending and ease fears of further interest rate rises.

Today's May retail sales figures would also give a better indication of whether windfalls from building society listings had contributed to consumer spending, Mr Roberts said. The September long gilt future settled at $114\frac{1}{32}$, down $\frac{9}{32}$.

FRENCH OATs also slipped, with the September notional future settling 0.26 lower at 128.94.

SPANISH BONO September futures fell 0.16 to settle at 116.40 while in the cash market the yield spread over bunds tightened three basis points to 65 points.

ITALIAN BTPs reflected relief that the Amsterdam summit had been able to keep Emu, and Italy's hopes of joining it, on track. The September BTP future rose 0.40 to settle at 132.58.

An unexpected rise in industrial production figures sent US TREASURY prices downwards in the morning. By mid-session the benchmark 30-year bond price had recovered some lost ground, falling ¼ and pushing the yield up to 6.710 per cent. The two-year bond price fell $\frac{1}{32}$, yielding 6.024 per cent.

April's industrial production figure was revised upward to a 0.3 per cent increase from an earlier-reported unchanged level. In addition, May industrial production rose 0.4 per cent.

"This is a modestly stronger picture than what the consensus expected," said Mr John Lipsky, chief economist at Chase Manhattan.

Treasury bond investors were also keenly watching capacity utilisation movements, which for May moved upward to 83.7 per cent, their highest reading since late 1995. Further rises could lead the Federal Reserve to increase interest rates at its meeting in early July.

In other economic news, housing starts for May dropped 4.8 per cent, surprising forecasters, who had predicted a 0.7 per cent decline for the month.

The consumer price index for May rose a mere 0.1 per cent, in line with economists' expectations.

"A lot of people were prepared for this," said Mr John Spinello, government securities strategist at Merrill Lynch.

CAPITAL MARKETS NEWS DIGEST

Portuguese bank in eurobond debut

Banco Espirito Santo, Portugal's third-largest bank, yesterday made its eurobond debut with a $200m floating rate offering and a simultaneous domestic offering denominated in escudos. An official at J.P. Morgan, joint lead manager of the deal with UBS, said that the bond was Portugal's second subordinated eurobond offering, after Banco Fonsecas Y Burnay broke into the market last year.

The $200m deal was priced to yield 68 basis points over the three-month London interbank offered rate, stepping up by as much as 150 basis points if it is not called after five years. Mr Manuel Pinho, a BES executive board member, said the bank had traditionally relied on the domestic capital market for its funding, because of the favourable pricing environment in Portugal. However, the likely onset of European monetary union had persuaded BES to tap a wider investment base.

Officials said that about one-third of the bonds went to UK institutional investors and 5 per cent to Swiss buyers, with the remainder distributed among continental funds. BES said it had increased the issue from the planned $150m to take advantage of favourable market conditions.

The perpetual debt issues count as Upper Tier II capital and the subordinated debt as Lower Tier II. They increase the bank's solvency ratio – equity capital as a perceotage of total assets – from 8.9 per cent to 12.3 per cent. Unlike other Portuguese banking groups, BES has focused on organic growth.

Peter Wise, Lisbon and Edward Luce, London

Manila mandate for Salomon

Salomon Brothers has woo back its controversial mandate as lead manager for the Philippines' delayed Yankee issue, the country's central bank said yesterday.

The bond, which was postponed in early April owing to the bearish Treasury market at the time, is expected to be split between a $400m 30-year Yankee and a $100m debut century bond.

Salomon originally won a mandate for an April issue of between $750m and $1bn. Yesterday, Mr Gabriel Singson, the central bank's governor, said that in bidding for the relaunch, Salomon had offered the lowest spread over US Treasuries. He said the decline in yield on the bellwether US 30-year Treasury, from 7.18 per cent in April to 6.69 per cent on Monday, vindicated the postponment decision.

Five other banks – Citibank, Morgan Stanley, Merrill Lynch, J.P. Morgan and ING Barings – had also bid to underwrite the issue.

News of the Salomon success surprised some analysts, as a series of recent reports had predicted that the bank would be displaced as lead manager after the controversial postponement. Salomon was reported to have antagonised other syndicate members by attempting to go back on an agreement to split allotments equally. At the time of the original launch, the Philippines would have been only the second emerging market to issue a sovereign century bond.

Justin Marozzi, Manila

BNG $1bn deal aimed at wide investor base

INTERNATIONAL BONDS

By Edward Luce

Strong liquidity and investor bullishness produced another bumper day for the dollar yesterday, with more than $4bn in new issuance.

This took the week's total to more than $7bn – roughly half the record volume of new dollar bonds issued in the first week of June.

"There is a very strong undertone of bullishness on US interest rates at the moment," said one syndicate official. "If you combine this with the high level of redemptions in the euromarket and strong liquidity from the US, Europe and Asia, you can see why there is so much supply."

BNG, the Dutch municipal finance group, led the way with a $1bn issue targeted at a much wider investor base than usual. The five-year bond, which was priced to yield 12 basis points over Treasuries, was designed to lessen BNG's reliance on its traditional Swiss/Benelux retail investor base, said bankers.

An official at ABN-Amro, which led the deal with Goldman Sachs and Nomura, reported strong overnight buying from Asian central banks and institutions. UK institutional investors also bought strongly into the deal. The paper tightened to 11.5 basis points over Treasuries after launch.

"This is very much a benchmark issue from BNG, which has traditionally gone for deals of about $200m aimed at the retail investor," said a banker. "BNG is consciously making a strategic move to court a wider investor base in advance of Emu."

The INTER-AMERICAN DEVELOPMENT BANK also cashed in on buoyant market conditions with its first eurodollar issue for almost 12 months. The five-year $500m bond, which was arranged by J.P. Morgan and Lehman Brothers, was priced at 7 basis points over Treasuries – just 1 basis point below its previous offering spread in 1996. Officials reported good demand from Asian central banks and trust banks and European funds.

"Investors are still emerging from the 'wait-and-see' attitude they adopted in late March," said one official, referring to the 25 basis point rise in US interest rates. "So they built up strong cash positions which they are now running down." The bond was trading at its re-offer price in the secondary markets last night.

KEYBANK NATIONAL ASSOCIATION, the eighth largest bank in the US, issued its debnt eurobond, also in the five-year sector. An official at J.P. Morgan, the sole arranger, said the $500m floating-rate note was the first issue in a $5bn medium-term-note programme. The bond, which was priced to yield 11 basis points over Libor, tightened into 10 basis points after launch.

Officials said that the launch of the MTN programme coincided with moves by Keybank to expand its operations overseas. "The main aim of the issue was to introdnce Keybank's name to international investors and open new credit lines," said an official.

Elsewhere, POLAND said it was planning a debut Yankee bond issue in the next few weeks to follow on from its debnt eurodollar and debut euro-D-Mark issues in the last two years. The offering is expected to carry a seven-year maturity and will be limited to $500m under Polish regulations.

RUSSIA is expected to launch its first 10-year bond today totalling at least $1bn. Traders say it will be priced at 350–375 basis points over Treasuries.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
BNG	1bn	6.375	99.488R	Jul 2002	0.25R	+12(6½%May02)	ABN/Goldman/Nomura
CSN Iron(s)	600	9.125#	98.55R	Jun 2007	0.60R	+275(6⅝%-07)	JP Morgan Securities
United Mexican States(a,j)	500	9.875#	105.639	Jan 2007	0.75	-	Salomon Brothers Intl
American Express Co	500	(b)#	(b)R	Jun 2004	0.35R	(b)(7¼May04)	Lehman Brothers Intl
Inter-American Dev Bank	500	6.375	99.702R	Jun 2002	0.25R	+7(6½%May02)	Lehman Bros/JP Morgan
Keybank Natl Association‡	500	(c)	99.793R	Jul 2002	0.20R	-	JP Morgan Securities
BES Finance(d)‡	200	(d1)	99.786R	undated	0.625R	-	JP Morgan/UBS
LW Rentenbank(§)	200	6.25	99.825R	Jul 2001	0.225R	+8(6⅝%May00)	DG Bank
Dow Chemical Co	200	6.625	99.743R	Jul 2002	0.30R	+31(6½May02)	DKB Intl/Merrill Lynch
Banco Inter Atlantico	125	8.25#	99.8696R	Jun 2000	0.50R	+215(6⅝%-00)	Crdt Agricole Indosuez
STERLING							
Acres No 3, Class A(e)‡	97.81	(e1,§)	99.92R	Jun 2006	0.15R	-	UBS
Eco-Bat Technologies	65	9.125	99.314R	Jun 2007	1.75R	+200(7¼%-07)	Bankers Trust Intl
FRENCH FRANCS							
Province of British Columbia	2bn	5.875	99.905R	Jul 2009	0.35R	+18(§)	Paribas
SWISS FRANCS							
DeNIB(s)	150	2.00	99.60	Dec 2001	1.75	-	UBS

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with $1bn. Plus 156 days accrued. b) Priced today 39-41bp over Treasuries. c) 3-mth Libor +6¼bp. d) Callable from Jun 02 at par. d1) 3-mth Libor +62½bp to Jun 02, then +212½bp. e) Average life: 4.15 yrs. e1) 3-mth Libor +15bp. e2) Class M1: £14.14m, 3-mth Libor +40bp, 99.92, 3.56 yrs. Class M2: £5.89m, 3-mth Libor +62½bp, 99.70, 4.71 yrs. § Over interpolated yield. § Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	98.2896	-0.130	7.00	7.41	7.80
Austria		5.750	04/07	98.8300	-0.410	5.91	5.80	5.76
Belgium		8.250	03/07	103.1700	-0.400	5.81	5.87	5.87
Canada *		7.250	06/07	108.0300	-0.010	6.16	6.32	6.63
Denmark		7.000	06/07	104.7100	-0.230	6.36	6.27	6.41
France	BTAN	4.750	03/02	100.4976	-0.210	4.63	4.71	4.72
	OAT	5.500	04/07	99.2200	-0.340	5.60	5.73	5.69
Germany Bund		6.000	07/07	102.0100	-0.420	5.73	5.78	5.74
Ireland		8.000	08/06	109.7200	-0.210	6.55	6.72	6.70
Italy		6.750	02/07	98.8400	+0.200	6.92†	7.14	7.30
Japan	No 145	5.500	03/02	117.1671	-0.010	1.61	1.73	1.74
	No 182	3.000	09/05	104.5300	+0.250	2.35	2.48	2.51
Netherlands		5.750	02/07	101.0600	-0.380	5.60	5.64	5.65
Portugal		9.500	02/06	120.9600	-0.140	6.28	6.44	6.60
Spain		7.350	03/07	106.8400	-0.160	6.37	6.56	6.70
Sweden		8.000	08/07	108.2625	-0.810	6.84	6.96	7.11
UK Gilts		7.000	06/02	100-08	-5/32	6.94	7.02	6.94
		7.250	12/07	101-12	-10/32	7.06	7.12	7.06
		9.000	10/08	114-14	-12/32	7.12	7.18	7.13
US Treasury *		6.625	05/07	101-14	-6/32	6.43	6.53	6.75
		6.625	02/27	98-27	-7/32	6.71	6.81	6.95
ECU (French Govt)		7.000	04/06	107.3800	-0.420	5.90	6.05	6.02

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest — Treasury Bills and Bond Yields

		One month	-	Two year	6.05
Prime rate	8½	Two month	-	Three year	6.18
Broker loan rate	7¼	Three month	5.07	Five year	6.33
Fed.funds	5$\frac{5}{16}$	Six month	5.33	10-year	6.44
Fed.funds at intervention	-	One year	5.64	30-year	6.73

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FF500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	128.94	128.94	-0.26	129.39	128.78	127,819	208,814
Dec	98.16	97.86	-0.28	98.16	98.18	2	1,575
Mar	98.16	97.86		98.18		2	

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Sep
126	2.95	3.07	3.20	0.02	0.14	0.27
127	1.97	2.20	2.37	0.03	0.27	0.45
128	1.08	1.43	1.66	0.12	0.49	0.72
129	0.36	0.82	1.05	0.42	0.88	1.11
130	0.07	0.39	0.59	1.13	-	-

Est. vol. total, Calls 21,303 Puts 15,160. Previous day's open int., Calls 137,230 Puts 183,673.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	101.80	101.32	-0.39	101.88	101.22	226572	256189
Dec	100.95	100.37	-0.39	100.95	100.62	66	1901

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
10100	0.48	0.89	1.12	1.15	0.18	0.57	0.80	1.78
10150	0.20	0.62	0.84	0.94	0.38	0.80	1.02	2.07
10200	0.06	0.41	0.61	0.77	0.74	1.09	1.28	2.40

Est. vol. total, Calls 14906 Puts 34543. Previous day's open int., Calls 182174 Puts 251014

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	132.34	132.58	+0.40	132.67	132.14	65799	86213
Dec		105.43	+0.35			0	300

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
8000		25.43		0
8050		24.93		0
8100		24.43		0

Est. vol. total, Calls 5110 Puts 3812. Previous day's open int., Calls 46484 Puts 62274

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	116.90	117.38	+0.40	117.47	116.87	67,699	26,369
Sep	116.80	116.41	-0.18	116.69	116.25	96,856	92,663

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	114-26	114-15	-0-11	114-26	114-12	463	1266
Sep	114-17	114-02	-0-11	114-18	113-26	49692	164727

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
114	0-29	1-01	1-34	1-59	0-24	0-61	1-20	2-15
115	0-07	0-36	0-58	1-31	1-03	1-32	1-64	2-51
116	0-02	0-18	0-37	1-08	1-62	2-15	2-33	3-29

Est. vol. total, Calls 1621 Puts 1352. Previous day's open int., Calls 43444 Puts 34787

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.26	95.82	-0.38	96.30	95.68	578	4,382

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	112-17	112-05	-0-09	112-20	112-03	13,283	44,478
Sep	112-05	111-24	-0-10	112-12	111-24	185,244	412,085
Dec	111-24	111-11	-0-10	111-25	111-13	656	25,077

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	124.35			124.35	124.19	1802	n/a
Dec	123.54			123.54	123.54	10	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Jun 17	Day's change %	Mon Jun 16	Accrued interest	xd adj. ytd		Low coupon yield Jun 17	Jun 16	Yr. ago	Medium coupon yield Jun 17	Jun 16	Yr. ago	High coupon yield Jun 17	Jun 16	Yr. ago
1 Up to 5 years (20)	120.06	-0.05	120.11	2.06	5.38	5 yrs	6.96	6.92	7.50	7.01	6.97	7.54	7.07	7.03	7.64
2 5-15 years (20)	152.44	-0.23	152.79	2.06	5.93	15 yrs	7.10	7.06	8.30	7.15	7.11	8.31	7.11	7.08	8.45
3 Over 15 years (6)	179.81	-0.36	180.26	5.42	5.02	20 yrs	7.15	7.11	8.39	7.16	7.12	8.38	7.11	7.08	8.43
4 Irredeemables (5)	207.74	-0.54	208.88	1.88	7.10	Irred.†	7.25	7.21	8.45						
5 All stocks (51)	146.88	-0.18	147.16	2.69	5.68										

Index-linked	Tue Jun 17	Day's change %	Mon Jun 16	Accrued interest	xd adj. ytd		Inflation 5% Jun 17	Jun 16	Yr. ago	Inflation 10% Jun 17	Jun 16	Yr. ago
6 Up to 5 years (2)	204.82	-0.07	204.96	1.28	3.03	Up to 5 yrs	3.55	3.53	2.78	2.86	2.83	1.19
7 Over 5 years (10)	197.21	-0.24	197.88	1.83	2.86	Over 5 yrs	3.64	3.62	3.85	3.42	3.40	3.63
8 All stocks (12)	196.94	-0.22	197.37	1.59	2.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jun 17	Jun 16	Jun 13	Jun 12	Jun 11	Yr ago	High*	Low*
Govt. Secs. (UK)	96.68	96.94	96.79	96.84	96.53	91.92	97.51	93.31
Fixed Interest	122.24	122.14	120.99	120.81	120.82	111.38	122.14	115.32

Gilt Edged Activity Indices

	Jun 16	Jun 13	Jun 12	Jun 11	Jun 10
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 17

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	99¼	99½	-⅛	6.65
ABN Amro Bank 7¼ 05	1000	101¾	102	-⅛	7.08
African Dev Bk 7¾ 23	500	100⅝	101¼	-⅛	7.32
Spain 7¼ 03	4000	110¼	110⅞	-⅛	5.03
Volkswagen Intl Fin 7 03	1000	108¼	108½	-⅛	5.34
World Bank 5⅞ 09	3000	104⅜	104½	-⅛	5.05
World Bank 6¾ 02	3000	105¾	106	-⅛	4.83
Abbey Natl Treasury 8 03 £	1000	102½	102¾	-⅛	7.44
British Land 8⅞ 23 £	150	105½	105⅞	-⅛	8.56
Denmark 6¾ 98 £	800	99⅝	99¾		7.08
Depfa Finance 7⅞ 00 £	500	98¼	[illegible]	-⅛	7.48
[illegible]					

UK GILTS PRICES

[illegible]

CURRENCIES AND MONEY

Amsterdam deal boosts the dollar

MARKETS REPORT

By Simon Kuper

The dollar and sterling rose against the D-Mark yesterday on the market's growing certainty that European monetary union would start on time. In Amsterdam on Monday, European Unioo countries reached agreement over a budget stability pact and jobs resolutions.

But the dollar's gains were modest, as the markets had largely priced in a deal, and because US consumer price data for May emerged weak yesterday. Stronger than expected May industrial production data scarcely affected the market.

The dollar rose 0.4 pfennigs against the D-Mark to close in London at DM1.734. It faces strong resistance at around DM1.74-DM1.7420. The pound gained 0.7 pfennigs to DM2.840, after touching its highest level against the German currency since August 1992. Volumes were low in all major markets.

The dollar/yen rate barely moved, with traders waiting for Japanese trade data due out last night.

The lira rose on the growing belief that Italy would join Emu in the first round – the country has the backing of France's new socialist government. The currency gained L2.7 to close at L978.9 against the D-Mark, having hit a four-month peak earlier in the day.

The Norwegian krone recovered sharply after Norway's central bank said it would intervene in the market to support the currency when necessary. In January Norges Bank had abandoned its intervention policy. The krone, which early yesterday hit its lowest level since October at NKr4.2400 to the D-Mark, rebounded to close at NKr4.188.

Traders said the Bank of Israel spent about $500m intervening in the market to prevent the shekel from rising above its bands.

■ The krone is one of Europe's more volatile currencies, and is strongly affected by the oil price. Its recent slide has been seen as a delayed reaction to the fall io oil prices, and as a response to inflation concerns.

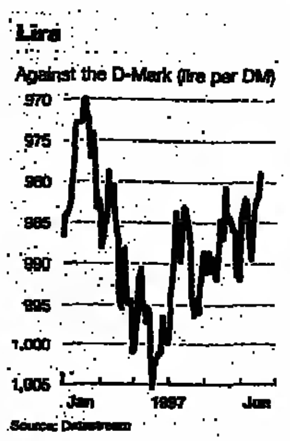
Market players had been drawn to the krone earlier, thinking that the growing economy would prompt a rate rise, but have been disappointed: Norway cut rates instead, to stop the currency from rising out of cootrol. Since then many investors have sold, particularly after consumer price data emerged strong this month.

Mr Claudio Demolli, foreign exchange analyst at Merrill Lynch in London, said the markets took yesterday's announcement to mean that Norges Bank would step in if the krone weakened to below NKr4.20. Will the new policy succeed in buoying the currency? Mr Paul Meggyesi, senior currency economist at Deutsche Morgan Grenfell in London, argues that the krone has a structural problem: Norway's petroleum fund. This fund, set up to allow future generations to benefit from Norway's oil wealth, invests most of the country's trade surplus in foreign assets. This year alone the Norwegian government must sell NKr50bn of krone for the fund. That naturally depresses the krone – in fact, one of the reasons why the fund exists is to prevent Norway's oil wealth from driving up the currency to levels where it would wreck local industry.

The preseot turmoil should make life interesting for Norges Bank, whose mandate is to maintain a stable krone.

■ Eveo before yesterday's tame US CPI figures, few in the market had believed that the Federal Reserve would raise interest rates after its open market committee meeting on July 1 and 2. Mr Ron Leven, currency strategist at J.P. Morgan in New York, says this lack of belief is significant in itself. "The Fed is certainly not going to want to surprise the market," he said. "If it was planning or even seriously considering a rate rise, it would signal that beforehand."

Yesterday's two sets of data confirmed an American trend of recent months: output data have surprised with their strength, and price data with their tameness. Mr Meggyesi said: "The Fed, even if it wants to tighten, is still lacking a clear inflationary pretext. The Fed finds it difficult to tighten simply because growtb is above trend." Interest rate markets are pricing in unchanged rates for July.



■ Pound in New York

Jun 17	— Latest —	— Prev. close —
£ spot	1.6385	1.6375
1 mth	1.6374	1.6364
3 mth	1.6349	1.6302
1 yr	1.6243	1.6242

■ OTHER CURRENCIES

Jun 17	£	$
Czech Rp	52.3089 - 52.4862	31.9430 - 32.0370
Hungary	303.922 - 304.134	185.580 - 185.640
Iran	4914.90 - 4912.80	3000.00 - 3000.00
Kuwait	0.4955 - 0.4959	0.3026 - 0.3027
Poland	5.3116 - 5.3163	3.2435 - 3.2450
Russia	9434.21 - 9439.88	5761.00 - 5762.00
U.A.E.	6.0116 - 6.0175	3.6710 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jun 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.9843	+0.0451	764 - 922	20.0164	19.9162	19.9308	3.2	19.8428	2.8	-	-	102.6
Belgium	(BFr)	58.6141	+0.1595	950 - 331	58.7030	58.1580	58.4591	3.2	58.1441	3.2	58.7141	3.2	102.4
Denmark	(DKr)	10.8176	+0.031	131 - 220	10.8290	10.7729	10.7921	2.8	10.7396	2.9	10.5181	2.8	105.0
Finland	(FM)	8.4890	+0.0008	815 - 964	8.5380	8.4790	-	-	-	-	-	-	82.3
France	(FFr)	9.5800	+0.0246	762 - 837	9.6016	9.5417	9.5558	3.0	9.5079	3.0	9.2853	3.1	105.0
Germany	(DM)	2.8398	+0.0063	388 - 408	2.8454	2.8290	2.8322	3.2	2.8162	3.3	2.7459	3.3	105.5
Greece	(Dr)	448.659	-0.104	424 - 894	449.286	447.414	-	-	-	-	-	-	65.2
Ireland	(I£)	1.0862	+0.0068	852 - 872	1.0875	1.0794	1.0863	-0.1	1.0853	0.3	1.0783	0.7	98.7
Italy	(L)	2780.02	-1.4	835 - 169	2783.38	2770.72	2781.92	-0.8	2783.32	-0.5	2769.42	0.4	76.4
Luxembourg	(LFr)	58.6141	+0.1595	950 - 331	58.7030	58.1580	58.4591	3.2	58.1441	3.2	56.7141	3.2	102.4
Netherlands	(Fl)	3.1947	+0.0078	936 - 958	3.2006	3.1825	3.1862	3.2	3.1683	3.3	3.0901	3.3	102.0
Norway	(NKr)	11.8922	-0.0581	857 - 986	12.0198	11.8780	11.8617	3.1	11.8022	3.0	11.5582	2.9	96.7
Portugal	(Es)	286.559	+0.676	416 - 703	286.720	285.257	286.409	0.8	286.034	0.7	-	-	93.3
Spain	(Pta)	239.747	+0.418	614 - 880	240.070	238.940	239.587	0.9	239.147	1.0	236.392	1.4	77.3
Sweden	(SKr)	12.7191	-0.0059	102 - 280	12.7498	12.6765	12.6976	2.0	12.6498	2.2	12.4556	2.1	83.8
Switzerland	(SFr)	2.3714	+0.0127	701 - 727	2.3756	2.3552	2.362	4.7	2.3429	4.8	2.259	4.7	105.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	100.2
Ecu	-	1.4521	+0.0007	511 - 530	1.4556	1.4482	1.4494	2.2	1.4435	2.4	1.4164	2.5	-
SDR†	-	1.178088	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6377	+0.0004	373 - 381	1.6385	1.6330	-	-	-	-	-	-	-
Brazil	(R$)	1.7590	+0.0003	585 - 594	1.7598	1.7538	-	-	-	-	-	-	-
Canada	(C$)	2.2701	+0.007	691 - 710	2.2741	2.2641	2.2638	3.3	2.2524	3.1	2.2106	2.9	84.2
Mexico	(New Peso)	13.0185	-0.0167	075 - 294	13.0322	12.9977	-	-	-	-	-	-	-
USA	($)	1.6380	-0.0003	376 - 383	1.6390	1.6339	1.6368	0.9	1.6343	0.9	1.6235	0.9	102.5
Pacific/Middle East/Africa													
Australia	(A$)	2.1832	-0.0051	820 - 844	2.1920	2.1814	2.1826	0.3	2.1807	0.5	2.1706	0.9	91.8
Hong Kong	(HK$)	12.6796	-0.0059	750 - 821	12.6850	12.6462	12.6726	0.8	12.662	0.5	12.6273	0.4	-
India	(Rs)	58.6305	-0.0289	770 - 839	58.6970	58.5300	-	-	-	-	-	-	-
Israel	(Shk)	5.5837	+0.0076	705 - 968	5.5970	5.5574	-	-	-	-	-	-	-
Japan	(Y)	185.776	-0.106	655 - 898	186.340	184.780	184.718	6.8	182.706	6.6	173.881	6.4	134.4
Malaysia	(M$)	4.1137	-0.0083	120 - 154	4.1247	4.1094	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3737	+0.0009	720 - 754	2.3775	2.3681	2.3735	0.1	2.3745	-0.1	2.3817	-0.3	113.1
Philippines	(Peso)	43.2010	-0.0125	508 - 511	43.2650	43.1377	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1456	-0.001	420 - 451	6.1472	6.1284	-	-	-	-	-	-	-
Singapore	(S$)	2.3366	+0.0004	357 - 375	2.3389	2.3315	-	-	-	-	-	-	-
South Africa	(R)	7.3880	+0.0189	839 - 920	7.3930	7.3557	-	-	-	-	-	-	-
South Korea	(Won)	1454.50	-1.95	091 - 809	1458.80	1450.86	-	-	-	-	-	-	-
Taiwan	(T$)	45.7318	+0.023	890 - 741	45.7881	45.6218	-	-	-	-	-	-	-
Thailand	(Bt)	42.3083	-0.0254	828 - 337	42.3570	36.8550	-	-	-	-	-	-	-

† Rates for Jun 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.2008	+0.0301	986 - 030	12.2270	12.1690	12.1783	2.2	12.1296	2.3	11.8908	2.9	102.4
Belgium	(BFr)	35.7850	+0.105	810 - 690	35.8500	35.5750	35.71	2.5	35.555	2.6	34.815	2.7	102.7
Denmark	(DKr)	6.6043	+0.0203	030 - 056	6.6147	6.5819	6.5926	2.1	6.5678	2.2	6.4558	2.2	104.4
Finland	(FM)	5.1827	+0.0016	793 - 861	5.2145	5.1775	5.1707	2.8	5.1464	2.8	5.0382	2.6	81.5
France	(FFr)	5.8488	+0.0163	477 - 498	5.8602	5.8320	5.8371	2.4	5.8144	2.4	5.6993	2.6	104.5
Germany	(DM)	1.7338	+0.0043	335 - 340	1.7377	1.7286	1.7301	2.6	1.7224	2.6	1.6855	2.8	103.1
Greece	(Dr)	273.915	-0.005	830 - 000	274.480	273.330	274.8	-3.9	276.34	-3.5	282.615	-3.2	64.8
Ireland	(I£)	1.5080	-0.0098	069 - 090	1.5156	1.5065	1.5073	0.5	1.5068	0.3	1.5036	0.3	-
Italy	(L)	1697.28	-0.49	680 - 791	1700.72	1692.25	1699.16	-1.3	1701.86	-1.1	1704.13	-0.4	76.0
Luxembourg	(LFr)	35.7850	+0.105	810 - 890	35.8500	35.5750	35.71	2.5	35.555	2.6	34.815	2.7	102.7
Netherlands	(Fl)	1.9505	+0.0052	502 - 507	1.9545	1.9447	1.9464	2.5	1.9378	2.6	1.8973	2.7	101.9
Norway	(NKr)	7.2604	-0.0339	580 - 628	7.3428	7.2561	7.2431	2.9	7.2176	2.4	7.0919	2.3	95.2
Portugal	(Es)	174.950	+0.45	900 - 000	175.150	174.320	174.935	0.1	174.87	0.2	173.56	0.9	93.9
Spain	(Pta)	146.370	+0.285	320 - 420	146.600	146.050	146.37	0.0	146.293	0.2	145.035	0.9	76.9
Sweden	(SKr)	7.7653	-0.0018	615 - 690	7.7922	7.7392	7.7559	1.4	7.7353	1.5	7.6408	1.6	83.9
Switzerland	(SFr)	1.4478	+0.0081	473 - 483	1.4515	1.4390	1.4429	4.0	1.4332	4.0	1.3875	4.2	105.0
UK	(£)	1.6380	-0.0003	376 - 383	1.6390	1.6339	1.6368	0.9	1.6343	0.9	1.6235	0.9	99.5
Ecu	-	1.1280	-0.0008	275 - 285	1.1300	1.1250	1.1294	-1.5	1.1328	-1.7	1.1504	-2.0	-
SDR†	-	0.72010	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0005	998 - 999	0.9999	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	1.0738	+0.0004	738 - 739	1.0740	1.0734	-	-	-	-	-	-	-
Canada	(C$)	1.3859	+0.0045	856 - 862	1.3885	1.3844	1.3829	2.8	1.3774	2.5	1.3584	2.0	84.0
Mexico	(New Peso)	7.9480	-0.0085	430 - 530	7.9540	7.9420	8.0585	-16.4	8.258	-15.6	8.253	-16.4	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3329	-0.0028	324 - 333	1.3357	1.3320	1.3333	-0.4	1.3334	-0.2	1.3324	0.0	93.8
Hong Kong	(HK$)	7.7405	-0.002	400 - 410	7.7419	7.7392	7.7415	-0.2	7.7429	-0.1	7.753	-0.2	-
India	(Rs)	35.7950	-0.01	700 - 200	35.8270	35.7620	35.886	-3.0	36.17	-4.2	33.875	5.1	-
Israel	(Shk)	3.4089	+0.0053	018 - 162	3.4190	3.3984	-	-	-	-	-	-	-
Japan	(Y)	113.420	-0.04	370 - 470	113.790	112.930	112.865	5.9	111.76	5.9	106.86	5.8	135.4
Malaysia	(M$)	2.5115	-0.0045	110 - 120	2.5185	2.5090	2.5137	-1.1	2.5178	-1.0	2.5348	-0.9	-
New Zealand	(NZ$)	1.4492	+0.0009	484 - 499	1.4500	1.4482	1.45	-0.7	1.4524	-0.9	1.4625	-0.9	-
Philippines	(Peso)	26.3750	-0.002	500 - 000	26.4000	26.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	+0.0002	506 - 509	3.7510	3.7505	3.751	-0.1	3.7515	-0.1	3.7544	-0.1	-
Singapore	(S$)	1.4266	+0.0006	263 - 268	1.4281	1.4240	1.425	1.4	1.4209	1.6	1.3991	1.8	-
South Africa	(R)	4.5105	+0.0125	090 - 120	4.5130	4.4975	4.55	-10.5	4.6275	-10.4	4.9255	-9.2	-
South Korea	(Won)	888.000	-1	000 - 000	890.100	885.900	-	-	-	-	-	-	-
Taiwan	(T$)	27.9200	+0.02	000 - 400	27.9440	27.8900	27.9207	0.0	27.922	0.0	27.9263	0.0	-
Thailand	(Bt)	25.8300	-0.01	200 - 400	25.8500	22.5000	25.8912	-2.8	26.015	-2.9	26.585	-2.9	-

† SDR rate per $ for Jun 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 16: Base average 1990=100. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

June 17	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	[illegible]	3	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.25	6.75	6.82
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.50	2.90
Switzerland	1	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.45	5.55	5.63	5.83	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

§ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 17	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible] - 3	[illegible]	[illegible]	[illegible]	[illegible] - 3	[illegible]
Dutch Guilder	3 - [illegible]	3 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	6 - [illegible]	6 - [illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	3 - [illegible]	[illegible]	[illegible]	[illegible] - 3	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.56	96.58	-0.03	96.63	96.55	31,810	66,729
Dec	96.55	96.55	-0.04	96.62	96.52	12,963	35,848
Mar	96.48	96.47	-0.04	96.54	96.46	7,520	30,538

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.82	96.82	-	96.83	96.81	26512	273420
Dec	96.73	96.71	-0.02	96.74	96.71	19395	266542
Mar	96.64	96.61	-0.02	96.64	96.60	18093	232951
Jun	96.47	96.43	-0.04	96.48	96.44	15964	158243

■ ONE MONTH EUROMARK FUTURES (LIFFE) DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jul	96.89	96.89	-0.01	96.89	96.89	64	425
Aug	-	96.88	-	-	-	0	190
Sep	-	96.86	-	-	-	0	3
Oct	-	96.83	-	-	-	0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.40	93.38	+0.01	93.42	93.36	16553	114177
Dec	93.75	93.71	+0.01	93.76	93.69	14535	66963
Mar	93.95	93.93	+0.02	93.97	93.91	6904	42033
Jun	94.07	94.08	+0.05	94.08	94.03	6816	29895

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.52	98.48	-0.08	98.52	98.42	20374	66666
Dec	98.36	98.30	-0.08	98.36	98.27	7413	40689
Mar	98.25	98.18	-0.08	98.25	98.17	1015	15306
Jun	98.04	98.01	-0.07	98.04	98.00	149	3642

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.32	99.31	-	99.32	99.31	100	n/a
Dec	99.11	99.10	+0.02	99.11	99.10	505	n/a
Mar	-	98.90	+0.03	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.90	95.85	-0.04	95.90	95.86	1082	8097
Dec	95.84	95.83	-0.04	95.85	95.82	255	5552
Mar	95.81	95.79	-0.03	95.82	95.78	873	4134
Jun	95.75	95.73	-0.03	95.76	95.73	144	2779

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9325	0.30	0.62	0.86	0.17	0.18	0.17
9350	0.18	0.46	0.67	0.28	0.24	0.24
9375	0.08	0.30	0.51	0.45	0.34	0.33

Est. vol. total, Calls 3003 Puts 3900. Previous day's open int., Calls 57482 Puts 29617

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.46	16.34	4.845	1.853	4743	5.451	20.29	488.9	409.0	21.79	4.046	1.706	3.873	2.794	316.9	2.477
Denmark	(DKr)	54.18	10	8.856	2.625	1.004	2570	2.953	10.99	264.9	221.8	11.76	2.192	0.924	2.098	1.514	171.7	1.342
France	(FFr)	61.18	11.29	10	2.964	1.134	2902	3.335	12.41	299.1	250.3	13.28	2.475	1.044	2.370	1.710	193.9	1.516
Germany	(DM)	20.64	3.809	3.373	1	0.382	978.9	1.125	4.188	100.9	84.42	4.479	0.835	0.352	0.799	0.577	65.42	0.511
Ireland	(I£)	53.96	9.959	8.820	2.615	1	2559	2.941	10.95	263.8	220.7	11.71	2.183	0.921	2.090	1.508	171.0	1.337
Italy	(L)	2.108	0.389	0.345	0.102	0.039	100	0.115	0.428	10.31	8.624	0.458	0.085	0.036	0.082	0.059	6.683	0.052
Netherlands	(Fl)	18.35	3.386	2.998	0.889	0.340	870.2	1	3.722	89.69	75.04	3.981	0.742	0.313	0.711	0.513	58.15	0.455
Norway	(NKr)	49.29	9.096	8.056	2.388	0.913	2338	2.687	10	241.0	201.6	10.70	1.994	0.841	1.909	1.377	156.2	1.221
Portugal	(Es)	20.45	3.775	3.343	0.991	0.379	970.1	1.115	4.150	100	83.66	4.439	0.828	0.348	0.792	0.572	64.83	0.507
Spain	(Pta)	24.45	4.512	3.996	1.185	0.453	1160	1.333	4.960	119.5	100	5.305	0.989	0.417	0.947	0.683	77.49	0.606
Sweden	(SKr)	46.08	8.505	7.532	2.233	0.854	2186	2.512	9.350	225.3	188.5	10	1.864	0.786	1.785	1.288	146.1	1.142
Switzerland	(SFr)	24.72	4.562	4.040	1.198	0.458	1172	1.347	5.015	120.8	101.1	5.364	1	0.422	0.957	0.691	78.34	0.612
UK	(£)	58.62	10.82	9.580	2.840	1.086	2780	3.195	11.89	286.6	239.8	12.72	2.372	1	2.270	1.638	185.8	1.452
Canada	(C$)	25.82	4.765	4.220	1.251	0.478	1225	1.407	5.239	126.2	105.6	5.603	1.045	0.441	1	0.722	81.84	0.640
USA	($)	35.78	6.604	5.849	1.734	0.663	1697	1.951	7.260	175.0	146.4	7.765	1.448	0.611	1.386	1	113.4	0.887
Japan	(Y)	31.55	5.823	5.157	1.529	0.585	1496	1.720	6.401	154.2	129.1	6.847	1.277	0.538	1.222	0.882	100	0.782
Ecu	-	40.37	7.450	6.597	1.956	0.748	1915	2.200	8.190	197.3	165.1	8.759	1.633	0.689	1.563	1.128	127.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5810	0.5804	-0.0009	0.5821	0.5791	21,896	56,926
Dec	0.5836	0.5836	-0.0015	0.5838	0.5836	27	809
Mar	0.5907	0.5870	-	0.5907	0.5870	10	123

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6995	0.6966	-0.0025	0.7020	0.6962	8,557	31,429
Dec	0.7058	0.7045	-0.0043	0.7058	0.7040	29	770
Mar	0.7200	0.7175	-	-	0.7200	50	23

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8930	0.8932	-	0.8967	0.8908	25,828	50,554
Dec	0.9032	0.9032	-0.0018	0.9041	0.9032	39	1,007
Mar	0.9130	0.9170	-	-	0.9170	81	95

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6312	1.6332	+0.0004	1.6354	1.6296	4,768	32,184
Dec	1.6288	1.6288	-	1.6310	-	2	129
Mar	-	1.6290	-	-	-	-	-

UK INTEREST RATES

LONDON MONEY RATES

Jun 17	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6½ per cent from Jun 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Jun 13, 6.3110pc. ECGD fixed rate Stlg. Export Finance. Make up day May 30, 1997. Agreed rate for period Jun 25, 1997 to Jul 25, 1997, Scheme III 7.78pc. Reference rate for period May 1, 1997 to May 30, 1997, Schemes IV & V 6.630pc. Finance House Base Rate 7pc from Jun 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.30	93.30	-	93.30	93.29	4094	95036
Sep	93.18	93.18	-0.02	93.18	93.15	19442	128474
Dec	93.03	92.98	-0.03	93.03	92.98	14806	112801
Mar	92.93	92.89	-0.03	92.93	92.89	5801	67284
Jun	92.85	92.82	-0.03	92.85	92.81	2387	48757

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.06	0.06	0.08	0.01	0.15	0.32
9350	0	0.01	0.01	0.20	0.35	0.52
9375	0	0	0	0.45	0.59	0.76

Est. vol. total, Calls 1340 Puts 1650. Previous day's open int., Calls 184854 Puts 185238

EMS EUROPEAN CURRENCY UNIT RATES

Jun 17	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.750262	+0.002715	-6.07	9.22	41
Finland	5.85424	5.87767	+0.00232	0.40	2.18	-3
Portugal	197.398	198.365	+0	0.49	2.10	-3
Italy	1906.48	1921.00	-4.66	0.76	1.82	-8
Spain	163.826	165.849	+0.052	1.23	1.35	-8
Denmark	7.34556	7.47980	+0.0078	1.83	0.76	-13
Netherlands	2.16979	2.20859	+0.00206	1.83	0.75	-14
Belgium	39.7191	40.5065	+0	1.99	0.60	-15
Germany	1.92573	1.96466	+0.00187	2.02	0.56	-20
Austria	13.5485	13.8266	+0.0139	2.05	0.53	-15
France	6.45863	6.62639	+0.00061	2.60	0.00	-22
NON ERM MEMBERS						
Greece	295.269	310.273	-0.566	5.08	-2.36	-
UK	0.793103	0.690908	-0.001905	-12.89	17.77	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.620	1.59	2.23	2.81	-	0.88	1.44
1.630	0.50	1.80	2.29	-	1.05	1.87
1.640	0.01	1.10	1.80	0.32	1.58	2.39

Previous day's vol., Calls 353 Puts 748. Prev. day's open int., Calls 35,449 Puts 38,710

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
0.570	1.07	-	1.56	[illegible]	[illegible]	[illegible]
0.575	0.74	1.11	1.40	[illegible]	[illegible]	[illegible]
0.580	0.48	0.88	1.12	[illegible]	[illegible]	[illegible]

Previous day's vol., Calls 2,732 Puts 5,794. Prev. day's open int., Calls 23,457 Puts 31,050

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.18	94.14	-	94.16	[illegible]	[illegible]	[illegible]
Dec	93.98	93.94	-	93.98	[illegible]	[illegible]	[illegible]
Mar	93.88	93.87	-	93.91	[illegible]	[illegible]	[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.11	95.08	-0.03	95.12	[illegible]	[illegible]	[illegible]
Sep	94.80	94.80	-0.01	94.81	[illegible]	[illegible]	[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9675	0.08	0.09	0.10	0.10	0.01	[illegible]	[illegible]	[illegible]
9700	0.01	0.01	0.02	0.02	0.18	[illegible]	[illegible]	[illegible]
9725	0	0	0	0	0.49	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls 3321 Puts 1491. Previous day's open int., [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	0.15	0.15	0.18	[illegible]	[illegible]	[illegible]
9875	0.05	0.07	0.09	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls 400 Puts 400. Previous day's open int., [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.25	●Singer & Friedlander	6.25
Allied Irish Bank (GB)	6.50	Exeter Bank Limited	7.50	●Smith & Williamson Secs	6.50
●Henry Ansbacher	6.50	Financial & Gen Bank	7.50	Scottish Widows Bank	6.50
Bank of Baroda	6.50	●Robert Fleming & Co	6.50	TSB	6.50
Banco Bilbao Vizcaya	6.50	●Guinness Mahon	6.50	United Bank of Kuwait	6.25
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.50	Unity Trust Bank Plc	6.50
Bank of Ireland	6.50	●Hambros Bank	6.50	Western Trust	6.50
Bank of India	6.50	Heritable & Gen Inv Bk	6.50	Whiteaway Laidlaw	6.50
Bank of Scotland	6.50	C. Hoare & Co	6.50	Yorkshire Bank	6.50
Barclays Bank	6.50	Hongkong & Shanghai	6.50		
Brit Bk of Mid East	6.50	Investec Bank (UK) Ltd	6.50		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.50		
Citibank NA	6.50	●Leopold Joseph & Sons	6.50		
Clydesdale Bank	6.50	Lloyds Bank	6.50		
The Co-operative Bank	6.50	Midland Bank	6.25		
Coutts & Co	6.50	NatWestminster	6.50		
Cyprus Popular Bank	6.50	●Rea Brothers	6.50		
		Royal Bk of Scotland	6.25		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

'El Niño' forecast to hit Australian exports

By Nikki Tait in Sydney

The latest developing "El Niño" weather pattern is expected to cut the value of Australia's agricultural exports by 5 per cent in 1997-98 to just over A$20hn (US$15bn), according to forecasts issued yesterday.

Wheat farmers could see an even more pronounced effect from the drier climatic conditions, warned the Australian Bureau of Agriculture Resource Economics, the government-owned agency.

The El Niño phenomenon is a periodic warming of the tropical Pacific Ocean by a few degrees that reverberates around the world in the form of local droughts and floods. It tends to result in drought in eastern Australia, and recent climatic data suggest this may be starting now.

Abare said Australia'a wheat production could fall more than 31 per cent to 16.2m tonnes in 1997-98, against an estimated bumper crop of 23.6m tonnes in 1996-97.

The bureau expects plantings to be "little changed" in 1997-98. The shortfall, it suggested, would be due primarily to below-average yields in the eastern states, as the El Niño pattern persisted.

The sharp decline in Australian wheat production, it added, would probably take place against the background of a tighter world demand-supply situation, witb world production forecast to fall 2 per cent in 1997-98.

Besides Australia, the European Union, Argentina and Canada would probably see reduced output – although Russia and parts of eastern Europe could enjoy higher production. Abare predicted a flat US crop at about 62m tonnes, and a small increase in the world wheat indicator price to around US$185 a tonne.

The Abare report also warned that climatic conditions could affect the country's livestock industry. "If dry conditions persist; poor pasture conditions in parts of New South Wales, Victoria and South Australia can be expected to deteriorate further," it said. "In that event, there could be a....correspondingly adverse effect on livestock prices."

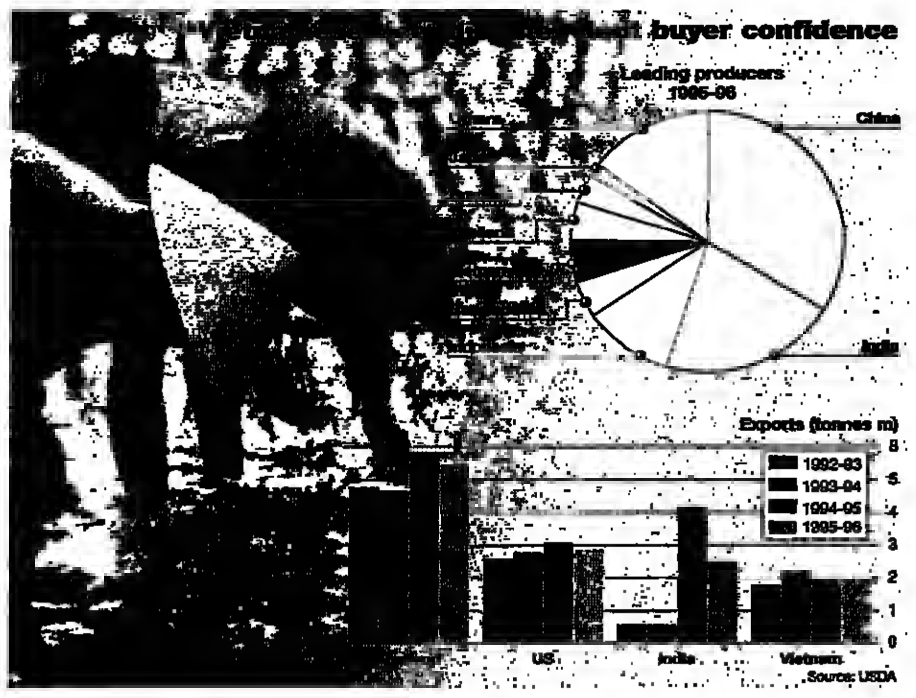
However, for the moment, it is forecasting a modest rise in beef prices, on the back of lower US production, and increased production and exports by Australian cattle-farmers. "At this stage, altbough the El Niño event is likely to reduce crop yields, sufficient supplies of feed-grains are expected to be available," it said.

The decline in the value of farm exports is also expected to be offset by a 9 per cent rise in mineral resource exports, to A$38.2bn in 1997-98. This should reflect a 6.1 per cent increase in Australian mine production and rising aluminium, zinc and nickel prices. Copper prices are predicted to fall in 1998, after rising in 1997, and gold prices to remain depressed by concern over possible European central bank sales.

Overall, commodity exports are forecast to increase 4 per cent to a record A$60.8bn in 1997-98.

Vietnam may miss rice target

By Jeremy Grant in Can Tho



Vietnam will probably miss its rice export target this year due to weakening global demand and export disputes that have dented huyer confidence, commodity analysts and traders said yesterday.

A United States Department of Agriculture report said Vietnam was likely to export 3m tonnes this year instead of the 3.5m tonnes planned. This would be about the same as last year's record level.

A humper winter-apring harvest in the Mekong Delta and excellent yields in the northern Red River Delta prompted the USDA to revise its estimates for the 1996-97 crop from 25.8m tonnes to 27.4m tonnes.

However, it said Vietnam would sell less rice abroad than it had planned because of weak export demand. "I don't think there's enough strength in the world market to sustain that [target]," an USDA official said. Capricious bebaviour by state-owned exporters meant traditional buyers of Vietnamese rice were turning to more expensive Thai rice instead.

Analysts and traders accuse sucb companies – which have a monopoly over the rice trade – of reneging on contracts and attempting to renegotiate tbem after signing. Inspectors from Iran, one of the biggest buyers of Vietnamese rice, were also recently denied visas for routine pre-shipment checks.

"The truth of the matter is foreign buyers are just burned out at not getting the contracts they specified," said one commodities analyst. He estimated that Vietnam bad lost out on the cbance to export 600,000 tonnes this year to Iran alone partly due to the inspections issue.

Two weeks ago Hanoi introduced a "minimum govarnment price" for rice exports to make up for recent lost export valne. The move sparked an average 10 per cent jump in prices across the board, according to one Ho Chi Minh City-based trader.

Rice with 5 per cent of broken grains was quoted yesterday at about $260 per tonne FOB (free on board) Saigon port, with 25 per cent broken virtually unchanged at $230 per tonne.

Another cause for concern is a complex state-controlled pricing eystam that sees farmers receive less than market prices for their unmilled rice in favour of middle men and state exporters.

Prof Vo Tuan Xuan, a rice expert at Can Tho University, said this could also burt this year's exports. "The coming crop will have less rice than last year because there are no incentives for farmers," he said.

New mines could boost gold output by 25%

By Kenneth Gooding in Prague

New gold mines capable of producing between them 18.8m troy ounces of gold a year will start up in the next few years – adding 25 per cent to 1996 gold output of 75m ounces, delegates at the Financial Times gold conference were told yesterday.

There was another 15.6m oz of annual output likely to come on stream a few years further out, taking the total to 34.4m oz or 46 per cent of 1996 output, according to a paper from Mr Paul Burton, the editor of Mining Journal Gold Service.

Mr Burton's analysis concentrated only on future gold production trends, not those gold mines likely to go out of husiness.

However, neither were output forecasts included for China, "yet this vast country will certainly impact on future supply patterns", he wrote.

Mining Journal's data also does not include any expansion to existing mines except for Sonth Africa, where a new shaft at a deep mine effectively is a new mine.

Mr Burton also left open the question of wbether all the new gold could be absorbed by the market.

One answer came from Mr Jonathan Spall, head of precious metals (Asia) at Deutsche Morgan Grenfell, Hong Kong. He said there was a change in the reasons for Asians huying gold.

"The increasing affluence of the region means rapld growth of gold used for adornment. Gold jewellery has become a fashion statement, not an investment or insurance."

This should compensate for the fact that a younger generation of Asians was more inclined to bava a stock of US dollar bills on hand for an emargency rather than some gold.

Mr Martin Senn, managing director, precious metals, Credit Suisse First Boston, pointed to a change in the attitude of Swiss investors who used to keep 15 to 20 per cent of their wealth in gold. Today they held virtually no gold in their portfolios.

However, a different set of Swiss investors were considering going into the gold market bnt were being deterred by uncertainties caused by potential sales by central banks.

Mr Minoru "Mike" Ikeda, general manager in derivative products department of the commodity trading and risk management division at Mitsui and Co, said the Japanese still looked at gold as an investment rather than jewellery but were disillusioned because in yen terms the price had fallen by 57 per cent in 10 years, so gold had performed even more badly than Japanese equities.

● A new market for aluminium is opening up with the development of hig, high-speed ferries, according to Mr Bernard Legrand, chairman of the European Aluminium Association.

The metal's light weight, strength and corrosion resistance make it ideal for these vessels, capable of reaching speeds of 40 knots. Each one absorbs more than 800 tonnes of aluminium sheet, plate and extrusions.

Currently only 10 of these big ferries are being built each year but the industry believes there is potential to grow to more than 400 a year, Mr Legrand said at the association's annual press briefing.

On Europe, he said primary aluminium consumption in the region was on course to return to record levels after a substantial fall last year. Consumption fell from 5.23m tonnes in 1995 to 4.97m tonnes.

European aluminium production, meanwhile, rose last year by 1.9 per cent to 3.19m tonnes. This meant that imports of aluminium to Europe dropped below 2m tonnes again, from 2.1m to 1.78m tonnes.

Coffee prices resume climb

MARKETS REPORT

By Robert Corzine and Gary Mead

World coffee prices took off again yesterday – with London and New York futures jumping by 8 per cent and 3.8 per cent, respectively.

On the London International Financial Futures Exchange, tbe September contract for robusta closed up $132 a tonne at $1,910.

The market was slightly dazzled hy wrangllng between the US Department of Agriculture and Brazilian officials over the size of the country's crop. The USDA forecast 28m 60kg bags; but Brazil dismissed this, estlmating 24m bags.

On the Coffee, Sugar and Cocoa Exchange the September contract rose more than 7 cents a pound to 189 cents in early trading.

The steady rise in crude oil prices from 13-month lows last week continued. Brent Blend for Augnst delivery failed to hold strong early gains, hut was still up 21 cents from Monday's settlement price at $18.07 a barrel in late trading on London's International Petroleum Exchange.

Although the oil markets have seen some sharp changes ln direction in recent months, the latest rally appears more cautious.

Copper was the centre of attention on the London Metal Exchange, with news from China that it intends to deliver np to 10,000 tonnes to LME warehouses in Singapore in July.

"This is a red herring, 10,000 tonnes ls neither here nor there," said Mr Nick Moore, analyst with Flemings Global Mining Group. "We definitely know tbat China will have to be a purchaser this year." Three-month copper ended down $6 a tonne at $2,582.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1552-3	1579.5-80.0
Previous	1556-7	1583-4
High/low		1590/1560
AM Official	1554-4.5	1579-9.5
Kerb close		1584-5
Open int.	265,763	
Total daily turnover	108,157	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1445-50	1469-71
Previous	1445-50	1474-5
High/low		1475/1455
AM Official	1450-51	1471-3
Kerb close		1465-70
Open int.	5,404	
Total daily turnover	2,949	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	609-10	622-3
Previous	810-11	623-4
High/low		627/610
AM Official	601-2	815-5.5
Kerb close		622-3
Open int.	34,665	
Total daily turnover	15,860	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7070-80	7180-90
Previous	7160-70	7270-75
High/low		7270/7090
AM Official	7010-20	7121-2
Kerb close		7210-20
Open int.	52,951	
Total daily turnover	21,492	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5510-20	5560-65
Previous	5510-20	5550-60
High/low		5570/5525
AM Official	5489-90	5530-40
Kerb close		5560-70
Open int.	15,160	
Total daily turnover	4,643	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1346-7	1368-9
Previous	1347.5-8.5	1370-1
High/low	1345	1378/1361
AM Official	1345-6	1366-7
Kerb close		1367-8
Open int.	95,191	
Total daily turnover	29,640	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2668-71	2581-2
Previous	2677-80	2587-8
High/low	2670	2603/2564
AM Official	2670-71	2583-5
Kerb close		2583-4
Open int.	143,142	
Total daily turnover	81,487	

■ LME AM Official £/$ rate: 1.6366
LME Closing £/$ rate: 1.6390

Spot: 1.6388 3 mths: 1.6353 6 mths: 1.6319 9 mths: 1.6280

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	121.10	-0.90	121.10	118.80	245	1,286
Jul	121.20	-1.00	122.10	119.80	2,507	30,135
Aug	119.90	-0.50	118.80	118.50	257	2,870
Sep	119.40	-0.30	119.40	117.80	939	8,565
Oct	116.90	-0.60	116.80	116.00	21	1,178
Nov	115.00	-0.50	-	-	1	1,227
Total					4,230	58,693

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	341.90-342.40		
Opening	341.70-342.00		
Morning fix	341.40	208.616	493.835
Afternoon fix	342.15	208.908	495.091
Day's High	342.40-342.70		
Day's Low	341.30-341.60		
Previous close	341.70-342.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.43 6 months 4.37
2 months ....4.43 12 months 4.31
3 months 4.41

Silver Fix	p/troy oz.	US cts equiv.
Spot	287.90	472.00
3 months	291.90	477.60
6 months	298.05	483.30
1 year	304.50	494.95

Gold Coins	$ price	£ equiv.
Krugerrand	344-346	210-212
Maple Leaf	-	
New Sovereign	80-83	48-50

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	341.9	-1.1	343.1	341.3	11	340
Aug	343.7	-1.1	344.8	343.3	8,215	76,028
Oct	346.2	-1.1	347.1	346.1	47	8,001
Dec	348.8	-1.1	349.8	348.5	317	26,350
Feb	351.4	-1.0	352.0	352.0	205	9,931
Apr	353.8	-1.0	-	-	367	4,353
Total					9,368	165,374

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	411.1	-12.8	422.0	408.8	3,388	10,445
Oct	399.1	-6.8	405.5	398.5	1,553	6,964
Jan	390.1	-6.8	395.0	392.0	335	1,669
Apr	390.1	-6.8	392.0	392.0	62	125
Total					5,338	19,195

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	197.90	-12.90	208.00	195.00	20	127
Sep	177.90	-2.90	179.00	174.00	545	5,955
Dec	173.90	+0.10	173.00	166.00	89	620
Jun	173.90	+0.10	-	-	-	95
Total					654	6,797

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	475.4	+7.5	-	-	21	2
Jul	476.2	+7.5	480.5	468.0	5,837	44,049
Sep	480.9	+7.5	485.0	473.0	3,241	18,335
Dec	487.8	+7.6	490.5	480.0	289	0,451
Jan	489.0	+7.0	-	-	-	17
Mar	494.6	+7.6	495.5	493.0	436	6,698
Total					9,904	90,941

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	19.30	+0.19	19.47	19.81	32,109	46,576
Aug	19.39	+0.22	19.62	19.21	23,835	85,722
Sep	19.52	+0.24	19.67	19.30	0,295	36,797
Oct	19.60	+0.23	19.73	19.57	3,344	25,087
Nov	19.67	+0.21	19.75	19.65	1,898	17,081
Dec	19.68	+0.10	19.79	19.51	3,871	38,300
Total					73,101	490,985

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	18.10	+0.30	18.32	18.07	19,453	78,607
Sep	18.30	+0.27	18.43	18.22	8,031	21,898
Oct	19.46	+0.27	18.51	18.35	1,873	11,484
Nov	18.57	+0.23	18.58	18.55	113	8,359
Dec	18.55	+0.13	18.68	18.55	546	11,526
Jan	18.63	+0.21	18.63	18.58	160	6,976
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	52.55	+0.81	53.10	51.95	11,815	31,091
Aug	52.95	+0.59	53.45	52.40	5,213	28,148
Sep	53.70	+0.44	54.10	53.65	1,315	14,557
Oct	54.90	+0.74	55.05	54.75	846	12,933
Nov	55.65	+0.59	55.85	55.65	762	11,182
Dec	56.50	+0.58	56.80	56.45	923	16,270
Total					22,174	144,398

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	163.75	+2.00	164.50	162.50	6,054	19,939
Aug	165.50	+1.75	166.00	164.50	1,863	11,061
Sep	167.50	+1.50	168.00	166.50	803	5,821
Oct	170.00	+1.25	170.25	168.75	619	6,533
Nov	171.75	+1.25	172.00	170.75	447	3,319
Dec	173.25	+1.25	173.50	172.50	719	9,108
Total					n/a	n/a

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	2.150	+0.003	2.175	2.135	13,835	29,193
Aug	2.165	+0.008	2.180	2.145	4,753	28,809
Sep	2.155	-	2.175	2.145	2,391	18,372
Oct	2.160	-	2.175	2.160	1,514	20,135
Nov	2.300	+0.005	2.305	2.295	17	9,157
Dec	2.440	+0.005	2.450	2.435	666	12,880
Total					28,571	199,774

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	58.65	+0.62	59.15	58.05	12,892	30,031
Aug	57.90	+0.55	58.40	57.45	4,844	25,387
Sep	57.25	+0.65	57.40	56.00	877	6,636
Oct	55.85	+0.50	56.20	55.75	214	4,151
Nov	55.30	+0.50	55.45	55.30	84	2,124
Dec	55.15	+0.70	55.15	54.90	282	4,621
Total					19,392	79,040

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	79.50	-1.95	81.25	79.75	41	817
Sep	85.50	-1.00	-	-	-	176
Nov	88.50	-0.65	89.00	88.45	372	3,575
Jan	90.50	-0.65	91.00	90.50	132	1,726
Mar	92.50	-0.65	93.00	92.50	60	884
May	94.50	-0.65	95.00	95.00	11	478
Total					616	7,669

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	349.75	+1.00	346.00	342.00	12,213	34,729
Sep	352.25	+1.50	354.50	348.75	5,342	24,926
Dec	364.00	+0.50	366.00	362.50	5,615	20,439
Mar	368.00	-1.00	369.00	367.00	431	2,633
May	360.50	-	362.00	359.00	17	127
Jul	350.50	-0.50	350.00	349.50	26	901
Total					23,644	83,769

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	270.25	+1.75	270.50	268.00	29,155	68,701
Sep	252.50	-	253.00	250.25	6,736	41,077
Dec	248.75	+0.50	249.00	246.75	26,953	120,038
Mar	255.50	-	255.75	253.75	2,546	14,657
May	260.00	-	260.25	258.75	220	2,033
Jul	263.25	+0.25	263.25	261.75	312	3,673
Total					68,153	273,846

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	81.25	-0.25	81.30	81.30	3	37
Nov	84.25	-0.10	84.25	84.25	7	1,146
Jan	86.25	-0.25	-	-	-	184
Mar	88.25	-0.25	-	-	-	14
May	88.75	-0.25	-	-	-	4
Total					19	1,385

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	853.00	+14.5	854.00	835.50	25,185	54,488
Aug	784.00	+10.25	785.00	771.00	10,222	28,698
Sep	706.50	+6	708.00	699.00	1,759	10,026
Nov	673.75	+7.75	676.00	664.50	11,464	54,523
Jan	675.50	+8	677.00	670.00	310	7,864
Mar	678.75	+8.75	680.00	673.50	119	1,960
Total					49,333	158,977

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	23.24	+0.11	23.31	23.03	4,423	37,339
Aug	23.44	+0.09	23.50	23.36	2,923	20,117
Sep	23.63	+0.08	23.69	23.55	366	9,285
Oct	23.72	+0.09	23.80	23.68	360	11,938
Dec	23.99	+0.10	24.05	23.79	1,701	21,530
Jan	24.13	+0.10	24.20	24.06	77	1,637
Total					9,965	103,507

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	278.7	+2.3	279.0	274.2	8,220	34,326
Aug	254.5	+2.8	254.7	250.7	6,253	19,195
Sep	235.9	+2.5	235.9	232.0	2,280	12,467
Oct	224.0	+2.1	224.0	221.5	234	13,181
Dec	218.7	+2.9	217.5	214.5	2,984	26,129
Jan	214.0	+2.5	214.0	212.5	94	2,730
Total					20,473	112,880

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	38.0	-	-	-	-	9
Mar	72.0	-6.0	-	-	-	-
Apr	77.0	+0.5	77.0	70.6	125	738
May	98.0	-	-	-	-	-
Jun	104.0	-	-	-	-	-
Total					125	747

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	1280	-	-	-	11	415
Jul	1200	-	1219	1195	49	1,272
Aug	1195	-	1195	1194	16	457
Oct	1355	-	-	-	-	642
Jan	1385	-	1385	1385	10	62
Total					77	2,848

	Close	Prev
BFI	1274	1266

FUTURES DATA
All futures data supplied by CMS.

Minor metals
European free market, from Metal Bulletin. $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.65%, $ per tonne, 2,080-2,160 (2,100-2,200). Bismuth: min. 99.99%, tonne lots 3.80-3.95 (3.75-3.95). Cadmium: min. 99.95%, cents a pound, 50.00-60.00. Cobalt: MB free market, min. 99.8%, 22.75-23.75 (23.40-24.25); min. 99.3%, 19.35-20.35 (20.00-20.75). Mercury: min. 99.99%, $ per 76 lb flask, 155-165. Molybdenum: drummed molybdic oxide, 4.50-4.65 (4.60-4.65). Selenium: min 99.5%, 1.90-2.40 (2.00-2.50). Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. Vanadium: min. 98%, CIF, 3.75-3.80 (3.75-3.83). Uranium: Nuexco unrestricted exchange value, 10.40 (10.50).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1091	-19	1116	1078	2,099	18,905
Sep	1111	-12	1134	1097	4,286	29,361
Dec	1108	-9	1125	1097	1,780	33,080
Mar	1117	-9	1134	1108	1,410	41,624
May	1128	-8	1144	1128	635	16,299
Jul	1139	-9	1157	1153	137	5,358
Total					10,815	165,366

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1584	+3	1620	1553	3,615	1,795
Sep	1625	-4	1655	1598	6,031	37,167
Dec	1661	-7	1684	1640	1,080	19,984
Mar	1692	-8	1710	1669	679	22,890
May	1712	-8	-	-	-	8,757
Jul	1732	-8	1735	1734	-	575
Total					11,517	95,586

■ COCOA (ICCO) (SDR's/tonne)

Jun 16	Price	Prev. day
Daily		1238.10

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1900	+148	1900	1780	3,903	12,184
Sep	1810	+132	1920	1805	6,513	23,953
Nov	1900	+117	1910	1805	1,456	9,744
Jan	1880	+112	1880	1790	232	3,062
Mar	1870	+112	1820	1810	25	547
May	1870	+112	1655	1794	23	30
Total					12,142	49,620

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	208.70	+12.20	211.50	195.00	2,572	4,062
Sep	190.70	+0.10	194.00	181.60	4,591	9,519
Dec	168.70	+8.50	166.20	181.00	714	4,672
Mar	157.70	+7.20	156.50	152.00	460	2,466
May	153.70	+7.20	152.50	148.50	50	608
Jul	148.70	+6.20	-	-	27	153
Total					8,380	21,614

■ COFFEE (ICO) (US cents/pound)

Jun 16		Prev. day
Comp. daily		148.86
15 day average		179.09

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	323.2	-0.4	323.6	321.5	761	14,702
Oct	317.3	-	817.5	815.7	401	8,000
Dec	315.0	+0.3	815.1	314.0	93	3,183
Mar	814.8	+0.5	315.0	313.3	223	3,007
May	814.2	+0.3	-	-	-	892
Aug	312.1	-0.2	311.8	311.0	39	816
Total					1,282	31,252

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	11.34	-0.02	11.40	11.20	9,630	58,088
Oct	11.26	-0.02	11.30	11.10	10,052	79,594
Mar	11.20	+0.04	11.20	11.08	1,041	32,199
May	11.09	+0.03	11.09	11.05	269	7,309
Jul	10.99	+0.02	11.01	10.96	261	3,598
Oct	10.89	+0.02	10.85	10.85	21	1,012
Total					21,258	182,385

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	72.66	+0.42	72.95	72.55	9,120	19,171
Oct	74.80	+0.50	75.05	74.60	1,447	8,263
Dec	75.54	+0.61	75.80	75.25	9,810	33,706
Mar	76.70	+0.63	75.87	76.55	386	5,850
May	77.10	+0.51	77.10	77.05	60	1,101
Jul	77.28	+0.48	77.15	77.15	43	609
Total					20,941	71,332

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	75.90	+2.00	77.50	75.50	1,066	15,971
Sep	78.85	+2.00	80.10	78.60	850	10,820
Nov	81.25	+1.65	82.70	81.50	178	4,686
Jan	83.75	+1.50	85.25	83.75	126	1,839
Mar	86.25	+1.55	87.90	86.90	10	1,313
May	88.75	+1.15	-	-	47	314
Total					2,282	34,972

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jun 17	Jun 16	month ago	year ago
1993.2	2002.3	2009.8	2051.6

■ CRB Futures (Base: 1967 = 100)

Jun 16	Jun 13	month ago	year ago
244.64	244.64		

■ GSCI Spot (Base: 1970 = 100)

Jun 16	Jun 13	month ago	year ago
185.10	185.42	202.94	199.44

LME WAREHOUSE STOCKS (tonnes)

Aluminium	4,350	to	698,650
Aluminium alloy	-160	to	60,500
Copper	-1,550	to	122,225
Lead	+200	to	116,875
Nickel	+60	to	51,108
Zinc	+20	to	425,825
Tin	-20	to	11,805

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	65.525	+0.225	65.800	65.325	2,920	5,959
Aug	64.700	-0.075	65.225	64.525	10,281	43,372
Oct	67.350	-0.075	67.725	67.150	2,152	23,219
Dec	70.250	-0.100	70.675	70.125	1,557	12,349
Feb	71.075	-0.050	71.500	71.050	522	6,256
Apr	73.100	+0.150	73.300	72.950	103	2,588
Total					17,683	94,476

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	81.925	+1.050	82.000	81.200	4,375	9,723
Aug	79.000	+1.050	79.050	78.350	1,665	10,851
Oct	71.650	+0.700	71.700	70.925	702	6,677
Dec	68.050	+0.825	68.100	67.275	519	3,842
Feb	66.550	+0.675	66.700	66.700	104	1,711
Apr	62.650	+0.375	62.650	62.400	30	979
Total					7,428	37,840

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	91.525	+2.325	01.700	79.550	2,050	3,748
Aug	81.725	+1.925	81.900	80.300	968	2,553
Feb	73.500	-0.200	74.200	72.950	96	494
Mar	72.000	-0.450	72.450	71.900	0	17
Total					3,116	6,820

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jul	Oct	Jul	Oct
1575	18	61	25	46
1600	9	49	41	58
1700	4	39	61	72
■ COPPER (Grade A) LME	**Jul**	**Oct**	**Jul**	**Oct**
2550	121	84	10	104
2600	84	64	21	133
2650	53	48	40	166
■ COFFEE LIFFE	**Jul**	**Sep**	**Jul**	**Sep**
1850	69	234	19	174
1900	40	218	40	203
1950	22	194	72	234
■ COCOA LIFFE	**Jul**	**Sep**	**Jul**	**Sep**
1000	91	126	-	15
1025	66	107	-	21
1050	41	91	-	30
■ BRENT CRUDE IPE	**Jul**	**Aug**	**Jul**	**Aug**
1750	-	-	-	-
1800	-	-	54	-
1850	44	75	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.00-7.24	+0.045
Brent Blend (dated)	$17.45-7.47	+0.225
Brent Blend (Aug)	$18.05-8.07	+0.175
W.T.I.	$19.30-9.34z	+0.08

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$201-203	
Gas Oil	$163-165	+1
Heavy Fuel Oil	$80-82	-1
Naphtha	$183-185	
Jet fuel	$179-181	+1
Diesel	$169-170	+2

■ NATURAL GAS (Pence/therm)

Bacton (Jul)	9.85-9.95	

Petroleum Argus. Tel. London (0171) 359 8792

IPE (Jul)	0.820	-0.125

■ OTHER

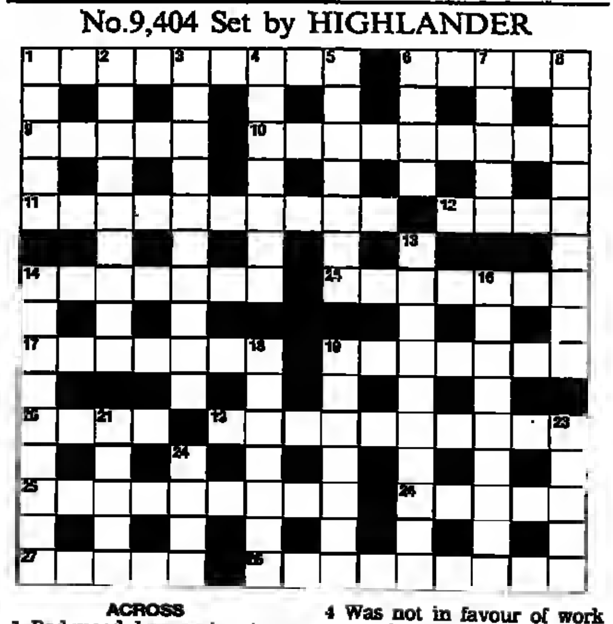
Gold (per troy oz)§	$342.15	+0.20
Silver (per troy oz)§	480.00c	+7.00
Platinum (per troy oz.)	$417.00	-18.00
Palladium (per troy oz.)	$196.00	-7.00
Copper	127.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.08r	
Tin (New York)	260.5	-1.0
Cattle (live weight)	92.33p	+1.21*
Sheep (live weight)	117.08p	+6.04*
Pigs (live weight)†	99.18p	-1.33*
Lon. day sugar (raw)	$279.40	-1.10
Lon. day sugar (wte)	$329.00	-0.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Jul)♥	71.25p	-1.25
Rubber (Aug)♥	71.25p	-1.25
Rubber (KL RSS No1)	283.5x	
Coconut Oil (Phil)§	645.0y	-10
Palm Oil (Malay.)§	525.0w	+12.5
Copra (Phil)§	$415.0y	
Soyabeans (US)	210.0	
Cotton Outlook'A' index	81.05c	
Wooltops (64s Super)	438p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Aug. w Jul. London Physical. § CIF Rotterdam. § Bullion market close. * Change on week. †Based on 4,184 head of pigs sold.

JOTTER PAD

CROSSWORD

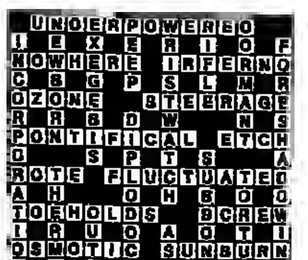
No.9,404 Set by HIGHLANDER



ACROSS
1 Bad mood dogs senior steward (5-4)
9 Where honey producers collect skin problem (5)
9 Hear why you see double with a plant from America (5)
10 Poetry far off providing an opening (9)
11 In vain one put daffodils on both sides of street (10)
12 Is in possession of hard drug in cut form (4)
14 Large container, dry, not one drink can be taken from it (7)
15 Spend quite a long time crossing (7)
17 Made out in the one place of learning that's literary (7)
19 Reverse amalgamation: extraordinary greed surrounds me (7)
20 Helpful sort – pleasant family – has daughter (4)
22 Starts batting with different one as game can be finished off now (4,6)
25 Trampled lika Labour 1980-83? (9)
26 Lots written about a lady who may not be married (5)
27 Ram that's held inside is secure (3,2)
28 Attempt to ensnare every queen in act of betrayal (9)

DOWN
1 Possibly can, in front of old American (5)
2 Agreement in Bonn covering transport and a tree (9)
3 Near ruin, I was married and brought to life again (10)
4 Was not in favour of work put forward (7)
5 Starts firing and accelerates (5,2)
6 Sounds like he'll cure man with a limp starting (4)
7 Six-nil to the French girl appearing in Twelfth Night (5)
8 Photographer's suggestion, for example on food (3,6)
13 Not balanced like my backing up of verse (10)
14 Follow trail of diamonds perhaps wearing this? (9)
16 It's out of this world – changes are so associated with speed (9)
18 Take advantage of previous pilot's wild stunt (7)
19 Fed they say, after lots of noise, in small eating area (7)
21 Jog with nothing on, holding bottom of leg (5)
23 An upwardly mobile pigpen is disgusting (5)
24 Initially image-maker quietly gives support (4)

Solution 9,403



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	Selling Price	+or -	Yield Gr's
A$ Accum	A$19.754	+0.002	4.90
ASch Accum	Sch252.19	–	–
C$ Accum	C$16.849	+0.001	0.80
DM Accum	DM36.805	+0.002	1.00
DFl Accum	Dfl32.025	+0.002	0.80
ECU Accum	Ecu13.751	+0.001	3.00
FFr Accum	FFr87.965	+0.004	2.30
HK$ Accum	HK$124.55	+0.02	5.00
Lira Accum	L24588	+4	5.90
NZ$ Accum	NZ$41.840	+0.007	5.80
SKr Accum	SKr114.29	–	–
S$ Accum	S$35.881	–	–
SPta Accum	Pta2574.9	–	–
£ Accum	£13.582	+0.002	5.30
SKr Accum	SKr123.49	–	–
SFr Accum	SFr23.490	–	0.00
US$ Accum	$24.190	+0.003	4.60
Yen Accum	Y2082.1	–	0.10

Prices for dealing June 17

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Rothschild Asset Management - Contd.
Five Arrows Currency Fund Ltd

	Selling Price	+or -	Yield Gr's
FACFL £	£10.087	+0.001	5.10
FACFL A$	A$16.0	+0.002	4.15
FACFL C$	C$20.0	+0.001	1.77
FACFL DFl	Dfl50.12	+0.003	1.82
FACFL DKr	DKr159.4	+0.010	2.37
FACFL DM	DM40.4	+0.002	1.78
FACFL ECU	Ecu15.0	+0.001	2.81
FACFL BFr	BFr	+0.040	2.04
FACFL FM F	FM	+0.001	0.59
FACFL FFr	FFr	+0.005	1.00
FACFL HK$	HK$100	+0.010	4.88
FACFL Lira	L25181	+4.00	5.73
FACFL NZ$	NZ$	+0.004	5.45
FACFL NKr F	NKr	+0.005	1.88
FACFL S$	S$30.0	+0.001	1.87
FACFL R F	R71.117	+0.023	11.84
FACFL Pta	Pta2010	+0.230	4.11
FACFL SKr	SKr103.4	+0.040	3.02
FACFL SwFr	SFr30.0	–	0.00
FACFL U.S.$	$15.09	+0.002	4.41
FACFL Yen	Y3500	–	0.00

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

UTI (Guernsey) Limited

	Selling Price	Buying Price	+or -
India Access Ltd	£11.00		–
Indian Access Ltd 'C' Shares			–

Yamaichi Capital Mngt (Guernsey) Ltd

	Selling Price	+or -
Yamaichi ISB Fund	$9.81	+0.02
Yamaichi Japan Eq Stra Fd	$8.71	+0.11
Yamaichi Dynamic Asia	$10.06	-0.02
Yamaichi Dynamic Taiwan	$12.25	+0.08
Yamaichi Pure China Fd	$14.76	–
Yamaichi Japan Convert Fd	SFr11.59	+0.17

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd
AIB Investment Fund Range, Percy Place, Dublin 4

BT Fund Managers (Ireland) Ltd
60 Harcourt Street, Dublin 2

Berkshire KITC Growth Fund Plc

	Selling Price	+or -
NAV	$5.73	+0.04

Berkshire Korea Fund Plc

	Selling Price	+or -
NAV	$1.59	-0.21

Blackstone Franks Managers Ireland Ltd

Bordier Invest (Ireland) Ltd

	Selling Price
Korea Fd NAV Jun 13	$57.41

Buchanan Asset Management (Ireland) Ltd

	Selling Price
Japan Performance B	$8.5793
UK Performance	£11.7333

Scottish Value Management (Ireland) Ltd (u)
51 Stephen's Green, Dublin 2

	Selling Price	Buying Price
UK Growth	£2.92	
European Growth	£2.37	

Singer & Friedlander Inv Funds Ltd (u)
21 New Street, Bishopsgate, EC2M 4HR 0171-600 8226

CFP Interest Rate Arbitrage Fund Plc

	Selling Price	+or -	Yield
NAV	$11.15	–	0.00

Colplus Fund

	Selling Price	+or -
NAV	£100.58	+0.02

Capital Vision Fund Plc

	Selling Price	+or -
NAV	$3.56	+0.02

Chemical Ireland Fund Administrators Ltd

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

[illegible]

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (REGULATED)(**)

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● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. J Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a

FID (Foreign Income Dividend). & Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield in data.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £3425 a year for each security shown, subject to the Editor's discretion.

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Company Focus (FT news) £8.45.
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LONDON STOCK EXCHANGE

Tax credit nervousness rattles UK equities

MARKET REPORT

By Peter John

There was an element of fiddling while Rome burned in the London market yesterday.

As the London season opened, many City desks were deserted for the greener and more speculative arena of Ascot.

At the same time, those who were left had time to consider the implications of a possible abolition of the 20 per cent tax credit on dividend payments.

And some stark press comment prompted strategists to suggest that an 8 per cent correction would not be a melodramatic scenario. The message took a while to filter through – perhaps because the market was also concentrating on derivatives expiries and anticipating economic data from the US.

But when it did, it turned an early gain of 13.0 on the FTSE 100 index into e fall of 62.9 to 4,682.2 on turnover of 840m shares at 6pm.

The FTSE 250 and SmallCap indices, which are less ettractive to the pension funds and charities currently benefiting from tax credits, were less affected. They fell 19.1 to 4,538.0 and 4.0 to 2,279.8 respectively.

Early on, there was considerable intra-market jockeying ahead of the mid-morning expiry of Footsie options as well as the individual stock options.

Basket trading and arbitraging ensured that Footsie was showing a comfortable gain. Then it began to lose ground with gathering force.

There was some caution about the latest consumer price index figure from the US. In fact the headline and core readings came in below the consensus forecasts as did the figure for May housing starts.

And while the US long bond was lower for a while and restraining UK government bond prices there was no obvious reason for the slippage apart from profit-taking. However, the concern over advance corporation tax credits gnawed at the market's confidence.

Marketmakers were actively targeting high-yielding stocks yesterday with particular emphasis on utilities, many of which are still are still under the shadow of regulatory pressure.

Mr Adam Cole of HSBC James Capel said: "The reaction on Monday was very, very modest. If we were really taking it [the ACT change] on board it would represent 300 or 400 Footsie points."

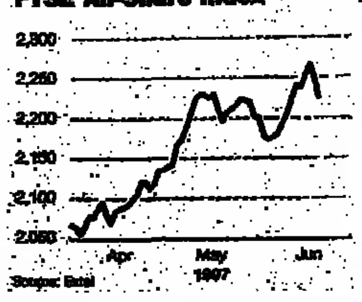
And Mr Peter Warburton of Robert Fleming Securities said: "Tax exempt shareholders ... stand to lose a considerable amount of money. Pension funds alone could lose £4bn per annum of cash flow. Theoretically, the FTSE All-Share index would drop by around 10-12 per cent. However, the actual effect on UK equities may not be so severe."

Footsie has already hit many strategists' end of year targets. Those targets factored in some tightening of tax credits but not the total abolition.

While forecasts will be left intact until the Budget on July 2 they could be scaled back afterwards.

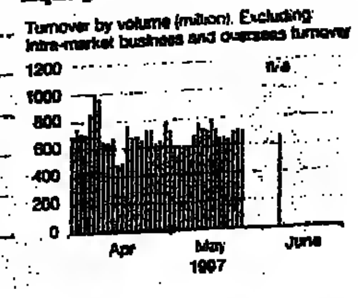
On the other hand, many of the big funds still have huge cash positions and the pressure to buy on the dips is expected to remain.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4682.2	-62.9
FTSE 250	4538.0	-19.1
FTSE 350	2268.7	-26.4
FTSE All-Share	2225.32	-24.35
FTSE All-Share yield	3.50	3.46
FT 30	3024.4	-29.9
FTSE Non-Fins p/e	19.03	19.21
FTSE 100 Fut Jun	4676.0	-75.0
10 yr Gilt yield	7.06	7.06
Long gilt/equity yld ratio	2.05	2.05

Best performing sectors

1. Alcoholic Beverages .... +1.5
2. Distributors .... +0.5
3. Breweries: Pubs & Rest .... +0.1
4. Diversified Inds .... +0.0
5. Engineering .... +0.0

Worst performing sectors

1. Banks: Retail .... -2.4
2. Oil: Integrated .... -2.1
3. Gas Distribution .... -2.1
4. Mineral Extraction .... -1.9
5. Tobacco .... -1.6

Broker boost at GMet

By Joel Kibazo, Peter John and Martin Brice

Dealers and analysts were busy speculating about the oext move in the current Guinness/Grand Metropolitan merger talks.

LVMH, the French luxury goods group, said after the market closed it bought 4.75m ordinary shares in GrandMet et between 568p and 582p.

LVMH, which is opposed to the merger and last week submitted a request to the International Chamber of Commerce for arbitration, has 0.23 per cent of GrandMet. But it said it had "no intention" of making an offer for the UK drinks and food giant. LVMH already owns around 14.2 per cent in Guinness and has e material trading arrangement with it.

News of the share purchase followed sharp gains in both UK companies. The gains were prompted by a strong recommendation from US investment bank Goldman Sachs. GrandMet rose 15½ to 581p, making it the best performing stock in the FTSE 100. Guinness appreciated 8½ to 588½p.

Both stocks have been added to the bank's recommended list having previously been rated "market outperformers".

Goldman set a 662p near term share price target for the two. Analysts at the bank said: "We believe the merger of GrandMet and Guinness to form GMG Brands, were it to go ahead, would result in a company whose earnings growtb is forecast to accelerate to 13 per cent in 1999 and 2000."

Midland Independent Newspapers outperformed the market after it said it was in talks with Mirror Group that might lead to an offer being made for the company. Shares in tbe group have risen strongly in recent sessions as speculation about e predator did the rounds in the market. Confirmation of the talks sent the sbares sbarply ahead, past their previous peak of 177½p. They touched e session peak of 188½p before coming off the top to close up 30 at 179p.

Panmure Gordon is predicting a take-out price for Midland of 200p a share. He said: "This is very positive for the Mirror. The strategy is right. It needs another leg to its business and the Midland Independent fits well with it."

With the market appreciating the move by Mirror Group, the company's shares held up relatively well against the sharp market decline. They closed just 3½ lighter at 205p.

ICI came in for a sharp reappraisal following a strong outperformance against the overall market since early May.

Over the past six weeks the stock had sbot up from 699p to 830p with US investors, who bold about 10 per cent of the stock, buying steadily.

That New York appetite eppeared to be feding slightly yesterdey. Some investors were using the excuse of fertiliser price reductions, even though those cuts are expected to make no more than e £15m dent in full-year profits. Also, the company was on a 20 per cent yield premium to the market and the comparatively high yield may worry some funds. ICI is one of the key stocks held by big pension funds, whicb risk losing their 20 per cent tax credits. The shares fell 27 to 822p.

Siebe provided one of the very fews specks of blue on otherwise red screens as its shares rose 18½ to 988½p, making it the second biggest Footsie riser. The rise stemmed from traders positioning themselves ahead of bullish comments anticipated from an analysts' visit by the house broker Dresdner Kleinwort Benson.

Still in engineering, Lehman Brothers began coverage of IMI and deemed it an "outperform" stock. The shares saw brisk trade of 3.5m but closed unchanged at 374½p. Mr Charles Armitage at the broker believes the stock, currently trading on a multiple of 8.4 times this year's earnings, should be on 10 times, suggesting a target price of 440p for 1997 and 500p for next year.

Elsewhere in the sector, Wellman saw busy trade of 7.4m shares. It rose 5½ to 29p after e positive trading statement and the announcement of a new finance director. The shares have languished since the company issued a profit warning in October.

Among retail stocks, Burton Group, which heard last week it would lose its place in the premier FTSE 100 listings, remained friendless and gave up 6½ to 125½p.

News of Mr Sam Chisholm's intention to step down from the chief executive's role at BSkyB sent the shares down 21½ to 566½p. One trader was reported as saying: "News like this is never welcome for e company unless he was doing a bad job and Chisholm wasn't doing e bad job."

Retail banking stocks, which have been the toast of tbe market recently, fell sharply, helping drag the market as a whole lower.

Abbey Netional, which confirmed on Monday it was in talks abont acquiring Cater Allen, was the worst performer in the sector. The shares surrendered 37 to 831p. Lloyds TSB fell 20 to 606½p. HSBC 45 to £18.45½ and the Halifax 12½ to 733p in trade of 14m.

First Leisure was marked up 16½ to 350½p in tiny volume as a story went the rounds that Rank was set to bid for it but few took the yarn seriously. Rank fell 7 to 379p in volume of 5.9m.

First Leisure's 8p rise on Monday was said to come late in the day after marketmakers at a UK bank took the story seriously. However, one analyst pointed out that Rank seeks a 15 per cent pre-tax return in the second year of an investment, and it was unlikely to get that from First Leisure.

One of the briskest trades in the Footsie was in BTR shares, with 20m dealt as the stock advanced 2½ to 194p, bouncing off low levels not seen for several years. The rise powered the sector to become one of the few that advanced yesterday. The shares were at 180p earlier this month and traders said they were due a bounce. Sentiment was belped by a buy note said to come from Goldman Sachs.

Carpetright was the biggest riser in the FTSE 250. It advanced 37½ to 478½p on the back of comments on the company's profit margins by chairman and chief executive Lord Harris of Peckham.

His positive statements on discounting and the increase in like-for-like sales growth prompted investors to take an interest in MFI Furniture, which saw 8.5m traded and rose 7 to 142p with further support from a NatWest Securities recommendation.

RMC was marked up 7 to £10.08½ after marketmakers were caught in a squeeze. Traders also suggested the company might benefit from any weakening of the pound.

Hazlewood Foods managed to beat the gloom to rise 5½ to 116½p.

FT 30 INDEX

	Jun 17	Jun 16	Jun 13	Jun 12	Jun 11	Yr ago	*High	*Low
FT 30	3024.4	3054.3	3077.4	3062.5	3026.6	2784.5	3077.4	2668.8
Ord. div. yield	3.63	3.60	3.56	3.58	3.63	4.03	4.22	3.56
P/E ratio net	18.27	18.44	18.64	18.54	18.31	16.38	18.64	15.80
P/E ratio nil	18.08	18.25	18.45	18.35	18.12	16.31	18.45	15.71

FT 30 since compilation: high 3077.4 13/06/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3051.4	3051.8	3060.4	3054.1	3045.1	3029.2	3021.8	3017.8	3023.9	3061.8	3016.2

	Jun 17	Jun 16	Jun 13	Jun 12	Jun 11	Yr ago
SEAQ bargains	52,519	62,314	51,900	46,674	50,300	30,612
Equity turnover (£m)†	-	NA	3044.1	3413.0	2863.8	1867.3
Equity bargains†	-	NA	46,132	44,441	47,256	35,507
Shares traded (ml)†	-	NA	787.6	835.4	794.0	739.4

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	504	Total Highs	102	Total contracts	69,592
Total Falls	1,087	Total Lows	89	Calls	35,068
Same	1,462			Puts	34,524

Jun 17 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4755.0	4681.0	-69.0	4767.0	4656.0	29932	49618
Sep	4787.0	4718.5	-65.5	4802.0	4694.0	15346	39631
Dec	4840.0	4772.0	-66.0	4840.0	4788.0	210	2228

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4554.0	4554.0	-18.0	4554.0	4554.0	850	4361
Sep	4620.0	4604.0	-23.0	4620.0	4604.0	558	4261

■ FTSE 100 INDEX OPTION (LIFFE) (*4679) £10 per full index point

	4500 C	4500 P	4550 C	4550 P	4600 C	4600 P	4650 C	4650 P	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P
Jun	183	1½	134½	3	89½	6	48½	17	20	40½	6½	79½	1½	129	1	179
Jul	236½	31½	195	42	157	55½	122½	71½	91	92½	66	120	46	150½	30½	188½
Aug	253½	53½	216	66	180½	81	150	100	119½	120	95	147	72	176½	54	209
Sep	288½	68½	258	79½	217	97½	185	117½	153	138½	127	165	103½	192	81	222½
Dec†	368	100½			301½	133½			235½	172			194½	223½		

Calls 11,498 Puts 10,675

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4525 C	4525 P	4575 C	4575 P	4625 C	4625 P	4675 C	4675 P	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P
Jun	158	2½	110½	4½	66	10½	32	26	11½	55½	3½	97	1	144½	1	194
Jul	209½	35½	170½	46½	135½	60½	104	79	77½	102½	55	129½	38	62	24	198
Aug	236½	62	199	75½	165½	91	134½	110	107	131½	83½	157½	64	187½	48½	221½
Sep	267	78½			199	107			141	147½			94½	199½		
Dec†	348½	109½			281½	139			223	177½			171½	222½		

Calls 13,494 Puts 8,790 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	90.4	1200	762½	Aston Villa	790		R6.8	1.8	1.4	43.4
	F.P.	-	102	90	Caradon B	97½	-2½	-	-	-	-
*	F.P.	2,129	312½	270½	Gallaher	308½	+8	10.25	1.4	7.8	11.8
*	F.P.	18,388	776	714	Halifax	733	-12½	a14.84	2.1	2.5	21.8
§140	F.P.	11.4	147½	98½	Heart of Midlthn	112½		-	-	-	-
§120	F.P.	10.5	127½	127½	†Highland Timber	127½		-	-	-	-
100	F.P.	3.75	125	102½	†Integrated As Mg	125#		-	-	-	-
§	F.P.	-	99	99	Intl Biotech C	99		-	-	-	-
§	F.P.	3.69	119½	112½	Longbridge Intl	117½		-	-	-	16.4
290	F.P.	6,138	357½	317½	Norwich Union.	318½	-6	L10.6	1.8	4.2	16.5
§185	F.P.	116.7	197½	195½	Powderject Pharm	197½		-	-	-	-
§	F.P.	69.4	227	209½	Royalblue Grp	210	-½	1.5	2.6	0.9	53.3
§100	F.P.	7.79	120½	110½	†SBS Group	110½	-5	L2.4	2.0	2.7	19.4
§100	F.P.	22.5	112½	107	Topps Tiles	112½		-	-	-	11.6
§3	F.P.	5.04	4	3½	Versatile Group	3½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
155	Nil	9/7	15½pm	6½pm	Century Inns	6½pm	
205	Nil	20/6	19pm	16pm	Pillar Props	17pm	
10	Nil	19/6	1½pm	¾pm	Tadpole Tech	¾pm	

pm premium.

FTSE GOLD MINES INDEX

	Jun 16	% chg on day	Jun 13	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index† (31)	1536.77	-1.2	1593.94	2065.93	2.19	-	2130.88	1466.60
■ Regional Indices								
Africa (14)	1674.94	+0.1	1673.36	2745.56	5.28	26.72	2917.88	1673.36
Australasia (6)	1704.52	-1.3	1726.23	2473.97	3.02	19.35	2491.99	1704.52
North America (11)	1484.54	-1.8	1508.43	1845.82	0.97	61.14	1884.06	1335.84

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition. Market closed 16/6/97: South Africa.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jun 17	Day's chge%	Jun 16	Jun 13	Jun 12	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4682.2	-1.3	4745.1	4763.1	4757.4	3756.4	3.51	2.03	17.54	90.01	1999.14
FTSE 250	4538.0	-0.4	4557.1	4586.1	4545.2	4454.7	3.61	1.59	21.85	89.04	1896.85
FTSE 250 ex IT	4546.8	-0.4	4564.7	4593.7	4552.0	4498.0	3.75	1.62	20.62	92.04	1906.10
FTSE 350	2268.7	-1.2	2295.1	2312.8	2298.7	1898.3	3.53	1.94	18.23	43.77	1978.62
FTSE 350 ex IT	2268.1	-1.2	2294.7	2312.4	2298.5	-	3.56	1.95	17.98	11.37	1014.23
FTSE 350 Higher Yield	2195.2	-1.2	2220.9	2240.5	2231.9	1823.6	4.56	1.82	15.10	51.72	1622.47
FTSE 350 Lower Yield	2348.8	-1.1	2376.0	2391.5	2371.7	1980.4	2.49	2.17	23.12	35.16	1675.97
FTSE SmallCap	2279.82	-0.2	2283.81	2288.51	2283.74	2238.00	3.10	1.75	23.09	35.64	1934.62
FTSE SmallCap ex IT	2261.18	-0.1	2263.36	2267.52	2265.61	2239.47	3.34	1.83	20.44	38.17	1934.75
FTSE All-Share	2225.32	-1.1	2249.67	2266.11	2252.99	1884.59	3.50	1.93	18.51	42.34	1969.53
FTSE All-Share ex IT	2224.21	-1.1	2248.88	2265.46	2252.48	-	3.54	1.95	18.12	11.05	1012.33

■ FTSE Actuaries Industry Sectors

	Jun 17	Day's chge%	Jun 16	Jun 13	Jun 12	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4505.63	-1.9	4590.93	4561.20	4487.50	3496.60	3.39	2.01	18.33	88.75	2018.43
12 Extractive Industries(5)	4595.09	-0.3	4609.25	4578.98	4534.94	4373.40	3.43	2.38	15.31	104.80	1404.57
15 Oil, Integrated(3)	4647.80	-2.1	4749.56	4710.31	4623.38	3539.46	3.59	1.95	17.87	94.47	2141.05
16 Oil Exploration & Prod(12)	3694.60	-1.4	3747.16	3782.54	3784.53	2467.13	1.57	2.21	36.07	37.61	2293.33
20 GEN INDUSTRIALS(267)	1960.66	-0.6	1972.17	1985.69	1959.46	2071.38	4.09	1.86	16.39	37.48	1118.04
21 Building & Construction(35)	1402.90	-1.0	1416.46	1417.88	1408.29	1210.49	3.11	1.88	21.36	25.16	1220.38
22 Building Matls & Merchs(30)	1907.98	-1.3	1932.68	1950.15	1907.78	1920.17	4.21	2.78	10.68	40.70	1007.78
23 Chemicals(26)	2455.34	-1.3	2486.82	2512.70	2486.28	2495.16	4.30	1.48	16.68	62.18	1229.99
24 Diversified Industrials(16)	1300.67	—	1300.20	1295.55	1297.58	1820.92	5.60	2.00	11.14	36.57	770.61
25 Electronic & Elect Equip(38)	2086.02	-1.0	2107.81	2148.62	2115.83	2397.23	3.78	1.53	21.60	15.38	1115.60
26 Engineering(66)	2611.00	—	2610.42	2633.20	2585.11	2469.23	3.26	2.25	17.00	34.44	1637.25
27 Engineering, Vehicles(13)	2946.79	-0.3	2954.38	2911.82	2884.30	3023.50	3.78	‡	‡	54.73	1586.54
28 Paper, Pckg & Printing(27)	2108.91	-0.1	2111.00	2133.42	2109.86	2648.66	4.98	1.84	13.65	54.71	920.30
29 Textiles & Apparel(14)	1063.33	-0.4	1067.41	1074.32	1055.28	1414.50	6.56	1.00	19.08	41.78	699.86
30 CONSUMER GOODS(84)	4564.71	-0.6	4591.03	4617.43	4607.50	3576.31	3.33	1.61	20.66	88.81	1763.20
32 Alcoholic Beverages(7)	3262.99	+1.5	3213.69	3219.63	3197.86	2729.41	4.06	1.88	16.39	76.58	1240.69
33 Food Producers(25)	3001.35	-0.4	3012.77	3006.94	2972.17	2464.28	3.70	1.84	18.36	67.58	1421.99
34 Household Goods(17)	2975.49	-0.4	2986.03	2967.00	2981.30	2663.65	3.49	2.32	15.47	59.44	1225.67
36 Health Care(15)	2243.36	-1.3	2273.32	2263.43	2253.73	2146.88	2.73	1.67	27.38	39.82	1411.24
37 Pharmaceuticals(18)	7300.28	-1.0	7373.67	7445.16	7459.63	5184.45	2.53	1.71	28.84	104.77	2582.75
38 Tobacco(2)	4752.85	-1.6	4831.37	4888.63	4907.64	4332.86	5.70	1.87	11.72	158.73	1268.22
40 SERVICES(271)	2686.36	-0.8	2708.84	2722.16	2707.39	2564.31	2.96	1.98	21.32	47.08	1450.05
41 Distributors(30)	2758.09	+0.5	2744.07	2750.18	2726.68	2954.31	3.38	1.94	19.06	52.52	1057.29
42 Leisure & Hotels(31)	3368.88	-0.9	3397.78	3419.94	3472.38	3249.26	2.74	1.83	24.89	61.83	1865.97
43 Media(44)	4301.35	-1.2	4353.73	4373.33	4379.05	4225.04	2.31	1.91	28.28	59.25	1597.48
44 Retailers, Food(15)	2145.21	-0.7	2161.34	2165.10	2150.82	2048.08	3.81	2.26	14.54	51.26	1431.84
45 Retailers, General(53)	2120.28	-1.1	2143.05	2155.67	2104.99	2129.37	3.31	2.06	18.29	45.82	1266.07
47 Breweries, Pubs & Rest.(22)	3209.75	+0.1	3206.03	3213.01	3190.32	3256.71	3.48	2.18	16.41	52.32	1600.40
48 Support Services(54)	3044.92	-0.9	3072.05	3096.06	3107.38	2470.67	1.70	2.71	27.18	22.16	1980.75
49 Transport(22)	2879.01	-0.8	2901.52	2926.90	2905.45	2393.22	3.49	1.30	27.86	56.35	1255.52
60 UTILITIES(31)	2884.85	-1.1	2915.67	2932.92	2925.71	2362.53	4.89	1.50	17.09	54.01	1333.82
62 Electricity(9)	3107.28	-1.1	3140.81	3194.37	3167.40	2531.55	5.72	1.99	10.98	104.25	1762.21
64 Gas Distribution(2)	1889.16	-2.1	1929.53	1921.12	1946.35	1246.13	6.46	‡	‡	68.16	1079.03
66 Telecommunications(8)	2396.03	-0.9	2416.74	2421.54	2418.38	2042.88	3.89	1.69	20.01	13.53	1137.79
68 Water(12)	2513.20	-0.9	2536.52	2558.21	2536.65	2143.34	6.51	2.29	8.39	65.16	1490.72
69 NON-FINANCIALS(673)	2259.21	-0.9	2279.50	2288.79	2272.43	2011.49	3.59	1.89	19.03	42.27	1795.46
70 FINANCIALS(106)	4246.75	-1.8	4326.08	4409.84	4405.24	2871.71	3.39	2.39	15.45	90.65	1917.95
71 Banks, Retail(8)	6427.72	-2.4	6584.90	6721.84	6704.85	3943.14	3.13	2.65	15.09	129.00	2200.09
73 Insurance(18)	1734.90	-1.4	1759.11	1790.29	1791.14	1478.75	4.99	2.53	8.91	54.89	1386.89
74 Life Assurance(7)	4832.80	-0.5	4856.40	4974.36	5016.76	3365.00	3.64	1.96	17.50	121.00	2110.98
77 Other Financial(29)	3193.76	-0.6	3211.46	3228.28	3216.12	2663.73	3.30	1.93	19.58	58.81	1901.62
79 Property(44)	1976.34	-1.1	1997.82	2027.43	2031.40	1527.23	3.27	1.35	28.28	33.25	1270.49
80 INVESTMENT TRUSTS(127)	3447.24	-0.8	3469.04	3487.87	3461.60	3178.14	2.16	1.13	50.73	40.88	1236.04
89 FTSE All-Share(906)	2225.32	-1.1	2249.67	2266.11	2252.99	1884.59	3.50	1.93	18.51	42.34	1969.53
105 FTSE All-Share ex IT(779)	2224.21	-1.1	2248.88	2265.46	2252.48	-	3.54	1.95	18.12	11.05	1012.33
FTSE Fledgling	1285.85	-0.2	1288.46	1290.22	1285.96	1276.27	3.08	0.80	50.62	20.43	1389.83
FTSE Fledgling ex IT	1293.90	-0.2	1296.16	1297.75	1294.37	1292.54	3.41	0.79	46.97	20.02	1399.88
FTSE AIM	1067.7	-0.2	1070.0	1069.0	1068.7	-	1.03	1.05	80.00†	2.43	977.35

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4746.3	4747.2	4758.2	4744.9	4725.2	4687.4	4679.4	4674.5	4679.7	4768.1	4669.1
FTSE 250	4552.5	4552.7	4555.6	4555.4	4552.6	4545.9	4542.6	4537.2	4537.8	4558.3	4537.0
FTSE 350	2295.1	2295.5	2299.3	2294.9	2286.9	2275.4	2268.0	2265.6	2267.7	2300.1	2263.7
FTSE SmallCap	2283.97	2283.25	2284.21	2283.72	2284.06	2283.10	2282.54	2281.13	2280.14	2284.32	2279.82
FTSE All-Share	2249.71	2249.88	2253.53	2249.47	2242.23	2231.67	2224.93	2222.59	2224.44	2254.23	2220.95

Time of FTSE 100 Day's high: 10:23 AM Day's low: 2:09 PM. FTSE 100 1997 High: 4682.2 (17/06/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 10:23 AM Day's low: 2:09 PM. FTSE All-Share 1997 High: 2225.32 (17/06/97) Low: 1969.78 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Name Change: Hopkinsons now Carbo (FTSE Fledgling); Deletion: Phoenix Timber; Raine (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	683	514½	-5½
ASDA Group†	8,400	123¼	-1
Abbey National†	4,600	831	-37
Airtours	647	1171½	-1
Albert Fisher	5,400	43¼	-¼
Alliance & Leicester	3,900	892	-11½
Allied Domecq†	19,300	414	-5
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. Trading volumes are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 17 / Sch) [illegible]

BELGIUM/LUXEMBOURG (Jun 17 / Frs.) [illegible]

CZECH REP (Jun 17 / Koruna) [illegible]

DENMARK (Jun 17 / Kr) [illegible]

FINLAND (Jun 17 / Mkk) [illegible]

FRANCE (Jun 17 / Frs.) [illegible]

AGF	177.80xd	-3.20	231.40	128.20	2.8	10.7
Accor	888	-10	912	606	2.2	26.0
AirLiq	929	-23	980	758	1.6	24.6
Alcatel	657	-12	708	368	1.5	39.4
ArjPri	1,650	—	1,740	1,200	1.4	—
Axa	367.00	-2.10	368.10	262.80	2.8	22.1
BIC	850	-2	980	637	1.2	38.4
BNP	235xd	-5	279	171	2.3	12.8
Bncair	704	-12	815	407.20	1.4	—
BFaure	611.20	-8.70	320	156	1.8	17.0
Bongrn	2,185	-25	2,580	1,965	0.5	12.8
Bygues	513	-5	618	444.60	0.5	19.0
CGIP	1,651	-14	1,848	1,110	3.4	—
Canal+	1,049	+3	1,339	948	2.9	—
Capgem	340.70	+1.70	365	188.20	0.8	—

GERMANY (Jun 17 / Dm.) [illegible]

GREECE (Jun 17 / Drachma) [illegible]

ITALY (Jun 17 / Lire) [illegible]

NETHERLANDS (Jun 17 / Fl.) [illegible]

NORWAY (Jun 17 / Kroner) [illegible]

POLAND (Jun 17 / Zloty) [illegible]

PORTUGAL (Jun 17 / Escudo) [illegible]

SPAIN (Jun 17 / Pts.) [illegible]

SWEDEN (Jun 17 / Kronor) [illegible]

SWITZERLAND (Jun 17 / Frs.) [illegible]

TURKEY (Jun 17 / Tk Lira) [illegible]

PACIFIC

JAPAN (Jun 17 / Yen) [illegible]

HONG KONG (Jun 17 / H.K.$) [illegible]

INDONESIA (Jun 17 / Rupiah) [illegible]

MALAYSIA (Jun 17 / MYR) [illegible]

NEW ZEALAND (Jun 17 / NZ $) [illegible]

SINGAPORE (Jun 17 / S$) [illegible]

AUSTRALIA (Jun 17 / Aus$) [illegible]

SOUTH KOREA (Jun 17 / Won) [illegible]

TAIWAN (Jun 17 / TW $) [illegible]

THAILAND (Jun 17 / Baht)

AdvInF	140	-10	270	145	4.1	—
BgkBkF	163	-27	372	161	1.6	—
BgkLiF	21	—	38	11.50	1.2	20.8
DSiamF	15.75	-1	163	15.75	12.7	2.8
KrTh F	26	-2	127	24.50	6.0	—
LndHsF	40.50xr	+3.50	249.88	28.23	12.3	—
PtTheF	30	-1.25	184	28.25	6.7	4.1
SmCemF	440	-14	1,378	448	4.5	8.0
SiamCI	80.50	-3	316	80	9.9	—
SmCBkF	64	-5.80	394	94	7.4	4.5
TelpAs	25.50	-1.25	64	24	—	44.0
ThFrmF	100	—	880	00	0.7	7.3

AFRICA

SOUTH AFRICA (Jun 17 / Rand) [illegible]

NORTH AMERICA

CANADA

MONTREAL (Jun 17 / Can $) 4 pm close [illegible]

TORONTO (Jun 17 / Can $) 4 pm close [illegible]

Prices supplied by Telekurs and as of FT subscribers.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xs Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

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INDICES

	Jun 17	Jun 16	Jun 15	1997 High		1997 Low	
Argentina							
General(29/12/77)	(c)	(c)	23047.4	23082.88	12/6	18232.37	2/1
Australia							
All Ordinaries(1/1/80)	2881.7	2888.3	2865.3	2881.70	17/6	2282.28	1/4
All Mining(1/1/80)	950.3	940.7	943.1	987.10	24/2	878.40	16/4
Austria							
Credit Aktien(30/12/84)	410.49	410.08	420.41	431.07	6/6	374.40	9/1
Traded Index(2/1/91)	1303.39	1307.97	1302.29	1318.70	27/5	1130.22	9/1
Belgium							
BEL20(1/1/91)	2360.03	2382.40	2400.38	2400.38	13/6	1871.05	2/1
Brazil							
Bovespa(29/12/83)	(c)	11954.0	11828.0	11954.08	16/6	6855.50	2/1
Canada							
Metals Minls♦(1975)	(c)	5316.00	5385.07	5801.75	10/3	4946.96	11/4
Composite♦(1975)	(c)	6537.00	6550.60	6600.68	13/6	5678.30	14/4
Portfolio§§(4/1/83)	(c)	3325.41	3330.96	3330.96	13/6	2846.02	11/4
Chile							
IGPA Gen¶(31/12/80)	(c)	5798.45	5843.79	5843.79	13/6	4812.42	2/1
Denmark							
CopenhagenSE(3/1/83)	588.34	589.39	588.28	589.39	16/6	478.14	2/1
Finland							
HEX General(28/12/90)	3106.41	3137.48	3143.51	3143.51	13/6	2463.38	2/1
France							
SBF 250(31/12/90)	1811.76	1829.72	1835.23	1838.28	18/5	1530.19	2/1
CAC 40(31/12/87)	2762.60	2785.87	2808.52	2808.52	13/6	2256.97	2/1
Germany							
FAZ Aktien(31/12/58)	1277.38	1284.03	1275.15	1284.03	16/6	986.21	2/1
Commerzbank(1/12/53)	3752.19	3773.90	3748.30	3773.90	16/6	2876.90	2/1
DAX‡(30/12/87)	3741.48	3765.11	3744.44	3765.11	16/6	2848.77	2/1
Greece							
Athens SE(31/12/80)	1577.00	(c)	1625.73	1727.70	23/5	964.84	2/1
Hong Kong							
Hang Seng(31/7/64)	14307.15	14394.60	14112.55	14690.90	2/6	12055.17	3/4
India							
BSE Sens.(1979)	4087.84	4025.41	4029.99	4087.84	17/6	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	705.08	705.28	698.62	712.58	26/2	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3350.70	3357.27	3358.48	3358.48	13/6	2725.07	2/1
Italy							
Banca Comm Ital(1972)	786.57	800.86	793.78	800.86	16/6	842.55	2/1
MIB General(2/1/97)	1198.0	1205.0	1194.6	1205.00	16/6	991.00	2/1
Japan							
Nikkei 225(16/5/49)	20593.66	20681.07	20528.35	20681.07	16/6	17303.65	10/1
Nikkei 300(1/10/82)	297.13	298.50	295.62	298.50	16/6	251.04	27/1

	Jun 17	Jun 16	Jun 13	1997 High		1997 Low	
Japan							
Topix(4/1/68)	1537.38	1542.19	1530.25	1542.19	16/6	1320.82	10/4
2nd Section(4/1/68)	1630.82	1626.22	1618.48	1630.82	17/6	1516.50	13/4
Malaysia							
KLSE Comp.(4/4/86)	1076.83	1077.40	1078.38	1271.57	25/2	1041.27	15/5
Mexico							
IPC(Nov 1978)	(c)	4237.31	4244.53	4244.63	13/6	3358.46	2/1
Netherland							
CBS TRtnGen(End 83)	998.3	1003.0	996.2	1003.00	16/6	730.80	2/1
CBS All ShrEnd 83)	576.8	579.5	575.6	579.50	16/6	425.80	2/1
New Zealand							
Cap. 40(1/7/86)	2368.03	2370.82	2388.29	2440.27	20/1	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	1973.05	1973.15	1988.94	1988.60	9/6	1639.03	2/1
Philippines							
Manila Comp(2/1/85)	2798.25	2790.86	2801.51	3447.60	3/2	2469.38	20/5
Portugal							
BVL 30(4/1/93)	3168.07	3170.84	(c)	3170.84	16/6	2165.57	2/1
Singapore							
SES All-S'pore(2/4/75)	492.06	489.65	480.60	573.03	17/2	478.94	29/4
South Africa							
JSE Gold(28/9/78)	1100.5¶	(c)	1129.0	1598.19	27/2	1100.50	17/6
JSE Indl.(28/9/78)	8432.7¶	(c)	8482.4	8698.70	6/5	7869.50	2/1
South Korea							
KoreaCompEx**(4/1/80)	792.29	789.05	789.15	792.29	17/6	611.65	7/1
Spain							
Madrid SE(30/12/85)	571.84	578.36	582.29	582.29	13/6	434.54	2/1
Sweden							
AffarsvarldenGen(1/2/37)	2941.4	2954.0	2953.7	2954.00	16/6	2338.50	2/1
Switzerland							
SMI Index(1/7/88)	5345.9	5392.0	5384.6	5394.80	13/6	3822.80	7/1
SPI General(1/6/87)	3400.56	3408.8	3420.56	3420.56	13/6	2588.22	8/1
Taiwan							
WeightedPr.**(30/6/66)	8679.24	8640.45	8315.02	8679.24	17/6	6844.76	8/1
Thailand							
Bangkok SET(30/4/75)	497.72	811.55	516.60	868.97	22/1	497.72	17/6
Turkey							
IMKB Nat 100(1986)	1551.00	1582.00	1583.00	1676.00	5/6	996.00	2/1
WORLD							
MS Capital Intl(1/1/70)	835.7*	841.4	837.2	848.70	16/6	784.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2446.48	2451.85	2441.59	2451.85	16/6	1893.80	2/1
FTSE E 100(26/6/90)	2083.28	2085.08	2082.86	2082.86	13/6	1582.88	2/1
HSBC JC Drgn(31/12/88)	(c)	410.84	405.08	429.48	20/1	361.54	29/4
ING Baring Emrg(7/1/92)	186.04	186.33	184.76	186.33	16/6	138.34	3/1

** Sat June 14: Taiwan Weighted Price 8602.18; Korea Comp Ex 791.97. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met 0 Mins, DAX – all 1,000; SMI - 1500; JSE Gold – 255.7; JSE 20 Ind – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Stand & Poor's – 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 17 - 3721.18 -28.84.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x index)							
Jun	2786.0	2751.0	-34.0	2801.0	2733.0	447	34,718
Jul	2783.0	2749.0	-34.0	2792.5	2731.5	1,195	7,401
■ DAX							
Jun	3755.0	3719.0	-28.5	3767.5	3703.0	47,654	136,794
Sep	3782.0	3747.0	-28.5	3795.0	3733.0	29,853	26,932
■ OMX							
Jun	2344.00	2324.00	-20.00	2348.00	2316.00	5,694	23,184
Jul	2351.00	2334.00	-17.00	2353.00	2324.50	2,472	6,134
■ SOFFEX							
Jun	5381.6	5368.0	-19.0	5385.0	5329.0	7,893	21,950
Jul	5363.0	5338.2	-16.0	5380.0	5335.0	3,801	6,698

US INDICES

Dow Jones	Jun 16	Jun 13	Jun 12	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7772.09	7782.04	7711.47	7782.04 (13/6)	6391.69 (11/4)	7782.04 (13/6/97)	41.22 (8/7/32)
Home Bonds	102.76	102.84	102.85	103.63 (19/2)	101.09 (14/4)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2722.16	2741.67	2680.94	2741.67 (13/6)	2222.07 (2/1)	2741.67 (13/6/97)	13.23 (8/7/32)
Utilities	224.43	224.60	223.38	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 7829.99 (7829.06) Low 7712.37 (7683.42) (Theoretical♠)
Day's high 7795.10 (7799.66) Low 7753.09 (7712.37) (Actual♠)

Standard and Poors	Jun 16	Jun 13	Jun 12	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	893.90	893.27	883.48	893.94 (16/6)	737.01 (2/1)	893.94 (16/6/97)	4.40 (1/6/32)
Industrials¶	1051.20	1050.54	1038.79	1051.23 (16/6)	865.42 (11/4)	1051.23 (16/6/97)	3.52 (30/6/32)
Financial	102.70	102.46	101.44	102.70 (16/6)	80.75 (2/1)	102.70 (16/6/97)	7.13 (4/9/74)
NYSE Comp.	465.01	465.17	460.64	465.17 (13/6)	389.47 (11/4)	465.17 (13/6/97)	4.84 (25/4/42)
Amex Comp.	628.17	630.10	626.12	630.10 (13/6)	541.20 (28/4)	630.10 (13/6/97)	524.20 (16/7/96)
NASDAQ Cmp	1431.95	1423.03	1411.32	1432.03 (16/6)	1201.00 (2/4)	1432.03 (16/6/97)	54.87 (3/10/74)

■ RATIOS

	Jun 13	Jun 6	May 30	Year ago
Dow Jones Ind. Div. Yield	1.64	1.70	1.73	2.19
	Jun 11	Jun 4	May 28	Year ago
S & P Ind. Div. yield	1.62	1.69	1.67	1.87
S & P Ind. P/E ratio	24.13	23.32	23.66	22.50

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Ph Morris	8,401,600	45¼	-½
AT & T	5,141,900	38¼	+¾
Compaq Cm	4,161,100	105¼	+4¾
Wal-Mart	3,575,600	33	+⅞
Du Pont	3,549,600	59¾	+⅞
Micron Tc	3,488,300	41¼	+1
Bay Ntwk	3,434,300	24¼	+¾
Pepsico	3,429,100	38⅜	-¾
Monsanto	3,084,400	43⅜	+¼
Polo Ralph	2,481,700	30⅛	-1⅛

■ TRADING ACTIVITY

⊕ Volume (million)	Jun 16	Jun 13	Jun 12
New York SE	414,279	572,898	507,553
Amex	16,810	22,325	21,450
NASDAQ	507,491	603,198	639,965
NYSE			
Issues Traded	3,374	3,383	3,383
Rises	1,230	1,736	1,872
Falls	1,249	812	734
Unchanged	895	835	777
New Highs	305	473	450
New Lows	8	7	16

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	–	894.70	–	898.50	882.10	32,088	89,577
Sep	904.00	901.60	-2.55	905.65	900.75	68,450	131,801

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	20760.0	20600.0	-220.0	20810.0	20600.0	15,398	156,154

Open interest figures for previous day.

1 Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, June 17, 1997

	Stocks Traded	Closing Prices	Change on day
Hokkaido Taku Bk.	16.2m	170	+26
Sakura Bank	9.4m	849	+14
Nippon Steel Cp	6.7m	348	-7
NKK Corp	5.8m	240	+1
Hitachi	5.7m	1290	-10
Toshiba Corp	5.4m	761	-9
Sumitomo Bank	5.0m	1770	-60
Tokai Kanko	5.0m	231	-9
Fujitsu	4.9m	1500	
Nissho Iwai	4.3m	517	+4

4 pm close June 17

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32⅜	24⅛	AAR	0.48	1.3	24	427	35	21⅞	62	
43⅛	33⅞	AMP	1.04	2.4	34	5388	42¾	42⅛	42½	
103¼	78¼	AMR			7	3050	96⅜	95	95½	-⅛
37⅝	31½	ASA	1.20	3.7	21	309	32⅞	32½	32⅝	+⅛
67⅛	49¼	AbbtL	1.08	1.7	20	10336	28	22	65⅜	-⅛
18⅝	14⅛	AbtBd Pr	0.48	2.3	0	20	17¾	17¾	17¾	
25	17⅝	ABM Ind	0.40	2.1	17	72	19½	19⅜	19½	
62	17¾	Acptocain			11	202	22¼	21⅞	22¼	-⅛
70⅜	56⅛	ACE Ltd	0.68	1.3	11	684	70⅛	68¾	69⅞	+⅛
19¾	10	ACM Gvt In x	0.86	0.7	11	374	19⅜	10¼	10⅜	+⅛
7⅝	7	ACM GvOpp x	0.63	0.8		126	u7¾	7½	7⅝	+⅛
9⅞	0⅛	ACM Man x	0.90	9.2		183	u9⅞	0¾	9¾	-⅛
10⅜	6¼	Acme Elect				80	0⅞	9⅜	6⅞	
26	13	Acme Mills				917	16¾	16⅞	10	-1
19	14	ACNielsen			35	1996	u19⅜	18⅝	19¼	+⅛
40	27¼	Acuson	0.80	2.0	10	50	u40	38¾	39⅞	+⅛
28¾	31⅛	Acxiom				928	22⅝	22¼	22¼	-¼

Continued on next page

NYSE PRICES

4 pm close June 17

Continued from previous page

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Price data supplied by Telekurs, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. e-sales in full.
¢ Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close June 17

[illegible]

AMEX PRICES

4 pm close June 17

[illegible]

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$4.875		0	8.25	4.375
Artwork Systems	US$10.375		3725	11.125	8.5
Chemunex	FFr16	-0.5	48400	18	14
Dr Solomon's ADS	US$24.75	-0.75	0	26.5	16.875
Esprit Telecom ADS	US$9		0	12.25	5.375
Innogenetics	US$11.5	-0.25	48939	12.75	10.375
Mercer Internatl.	US$10		0	11.75	8.125
PixTech	US$4.125		0	6.125	3.875

Prices for 17/6/97. Please note that mid prices are now used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990).

Dow gains modestly at midsession

AMERICAS

Wall Strest clawed back early losses to end the morning comfortably higher following renewed buying of technology stocks, *writes John Labate in New York.*

The Dow Jones Industrial Average rose 17.64 at 7,789.73 by 1.15pm in relatively strong volume. This put the Dow ahead of its all-time closing high recorded last Friday.

Earlier the index had beeo off by as much as 57.46 points as traders responded to bond yields that had risen strongly due to economic dsta suggesting that growth was picking up.

The broader S & P 500 index also had a good morning, gaining 1.75 at 195.65, again recovering from a dip earlier in the day.

Among Dow Stocks, Hewlett-Packard rose $1⅝ to $54⅝ while IBM shares added $1 at $90¾.

Strength in other technology issues led to s rise in the Nasdaq composite index, which is heavily weighted in that sector. The index increased 7.44 to 1,439.39. The Russell 2000 index, which measures small companies, *remained nearly flat*, losing just 0.05 to 392.15 by lunchtime.

Compaq Computer, which announced the shipment of new products, surged $4⅛ or 3.9 per cent to $109¼. Bay Networks, the computer networking company, shot up $1⅜ or 5.7 per cent to $25⅝. Dell Compnter gained $4⅛ or 3.6 per cent to $119½. "There's been renewed confidence in the technology sector," said Stephen Shobin, technical analyst at Lehman Brothers.

The Pacific Stock Exchange Technology Index also had a strong morning, gaining 4.23 to 287.18.

Acquisitions news spurred one of the biggest rises with Royal Caribbean, the cruise ship operator, gaining $1¾ to $38⅝. The compsny announced its intention to buy rival operator Celebrity Cruises in a deal priced at $500m.

Consumer products company Heinz rose $1 to $46¾ on the back of earning results that were better than expected.

TORONTO moved sideways in splte of a strong bounce for leading conglomerate, Canadian Pacific.

At noon, the TSE 300 composite was 0.63 ahead at 6,538.10.

News that Canadian Pacific had sold its shareholding in Laidlaw for $1bn sent the shares shooting ahead by C$1.95 to C$40. The upturn at Laidlaw, s rise of C$2.15 to C$21.20, was even more striking.

The broad market, however, was mixed. Bombardier *shed 15 cents to C$30* on confirmation of a big $1.4bn jets order.

"It's a case of buying the rumour and selling the fact," said one broker. Alcan Aluminium dipped 25 cents to C$50.15.

Banks stayed dull. Royal Bank of Canada lost 20 cents to C$60.40. Among golds, Barrick came off 10 cents to C$33.80.

Sao Paulo pushes ahead

SAO PAULO pushed ahead strongly following some solid looking trade figures and news of delay until next week in the congressional vote on the government's pension reform bill.

At midsession, the Bovespa index had built significantly on Monday's solid 1 per cent advance. It stood at 12,175, up 221 or 1.9 per cent. Trading volume was described by brokers as above average.

MEXICO CITY began where it left off on Monday, pushing deeper into record territory bnt by late morning the advance had started to taper off.

At midsession, tha IPC index was up just 5.26 at 4,265.1. Telmex traded quietly but *managed to add 14* centavos at 18.86 pesos.

SANTIAGO continued to slip. Endesa *fell almost* 1 per cent to 310 pesos and Andina, the big bottling group, slipped 0.6 per cent to 1,411 pesos. The IPSA index was off 1.22 at 133.17 at midsession.

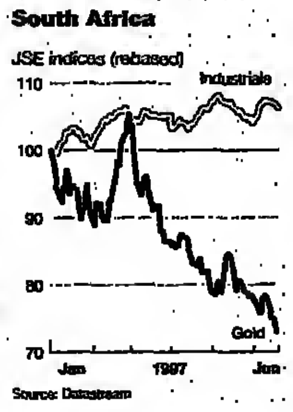
South Africa falls under pressure from futures

Johannesburg came under fire from the futures pits, sliding precipitously ahead of Fridsy's expiry for the main equity contract.

Both industrials and golds fell steeply to push the all-share index down by 79.4 to 7,192.1. "There's a lot of downside pressure from the future. Everybody's trying to square off ahead of the close-out," said one broker.

The main action of the session was in leading stocks. De Beers fell 25 cents to R165.50, Anglo American shed *R6.50 to R271.25* and Sasol lost 50 cents to R56.50. Combined turnover in the three heavyweights topped R124m.

The industrial index ended 49.7 lower at 8,432.7.



Golds, still unhappy about the bullion price, ended off 28.4 or 2.5 per cent at 1,100.5.

Leading bourses turn back from the peaks

EUROPE

Sharp advances by market heavyweights Philips and KPN, where hectic trading was firmly reflected in s *combined volume of close* to 10m shares, were insufficient to prevent **AMSTERDAM** from falling back from its recent record highs.

Philips jumped Fl 7.90 or 6.5 per cent to Fl 128.9 following the announcement of *plans to merge its consumer* communications operations with those of Lucent Technologies of the US. The deal, instantly seen as another example of Philips' determinstion to reorganise, creates a company with annual sales of $2.5bn.

News that KNP's post and telecoms operations were to be separated in the first half of next year – earlier than expected by most Dutch analysts – left the shares Fl 2.60 higher at Fl 78.3, in volume of 5.4m, after s peak of Fl 83. *The shares have risen 13 per* cent since May 30.

At the close, the AEX index was off 2.84 at 847.15. Financials led the way down with Aegon off Fl 4.40 st Fl 137 and ABN-Amro down 80 cents at Fl 36.8.

PARIS gave np early gains but ended well above its low for the session. Volume was again dull at 11.3m shares and at the close the CAC 40 index was off 33.27 st 2,762.60.

"Wall Street was no help and people are not too convinced about the outcome of the Amsterdam summit. Sentiment has taken on a ragged edge ahead of tomorrow's policy statement from the government," said ona broker.

There wsre no definite trends. Legrand was the day's heaviest casualty, sliding FFr39 or 3.6 per cent to FFr1,046. Carrefour, down FFr99 at FFr4,125, continued to reflect the lack of enthusiasm for retailers.

FRANKFURT was lower in quiet late trade, depressed by *lower bonds* and the *early* losses on Wall Street. At the close, the Ibis-indicated Dax was *28.84* weaker at *3,721.18* in turnover of DM9.2bn.

SGL Carbon, being investigated by US and European Union officials on allegations of price fixing for graphite electrodes, remained st the centre of attention. Ths shares lost DM9.80 to DM230.20 as the company's US subsidiary faces s class action law-suit in the US.

ZURICH took the opportunity for another session of *consolidation and the SMI* index edged back 16.1 to 5,345.9.

Novartis returned to centre stage adding SFr32 to SFr2,125 after an upbeat presentation to analysts, which concentrated on research and development at the company's pharma division. Renewed switching was reported out of Roche certificates, down SFr105 o.t SFr12,850. One analyst, however, noted that the certificates were now sharply below their SFr13,495 peak *seen in mid-May, which he* said could prompt renewed demand for the stock.

CS Group continued its recent correction, giving up SFr4.50 to SFr184.50.

Survaillance, tha goods inspection company, dropped SFr105 to SFr2,995 as Pictet, the Geneva private bank, removed the company from its list of non-rated stocks and rated it a hold.

ABB fell SFr52 to SFr2,105 and Sulzer was down SFr45 at SFr1,295 on profit-taking after its announcement that its Sulzer Medica spin-off would begin trading in the week of July 14.

STOCKHOLM saw profit-taking in Electrolux and Hennes & Mauritz but the drugs leaders made solid ground. Electrolux dipped SKr25 to SKr657 and Hennes, up 6 per cent on Monday, fell back SKr3.50 to SKr282. Against the broad trend – the general index ended 17.82 lower at 2,901.76 – Astra rose SKr1 at SKr131 and Pharmacia & Upjohn SKr4 to SKr265.

MADRID bumped lower as profit-taking continued in thinner than usual volume. The general index lost 6.54 to 571.84. The largest stocks, particularly banks that had seen hefty gains earlier in the year, were among the day's biggest losers.

BBV slipped 2.2 per cent to Pta11,090 and Santander was 2.1 per cent lowar at Pta4,345.

Telefónica lost Pta75 to Pta4,255 in spite of an upgraded recommendation from Lehman Brothers.

ATHENS tumbled 2.9 per cent led down by a disappointing performance from OTE, the telecoms giant, which completed a second-part flotation last Friday.

The general index lost 47.78 to 1,577.95 as OTE shares gave up Dr275 to Dr6,820.

LISBON was weak as disappointing inflstion data for May ruled out an imminent cut in interest rates.

The PSI20 index fell 41.14 to 7,334.09.

Against the trend, shares in EDP, the state electricity utility, soared on *their first* day of trade after their partial privatisation.

EDP peaked st Es4,050 before settling bsck to Es3,060, still at s sharp premium to the Es2,250 privatisation price.

Written and edited by Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

Jun 17 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2455.82	2455.98	2454.46	2454.57	2453.23	2453.61	2449.68	2446.48
FTSE Eurotrack 200	2473.85	2474.79	2470.41	2469.58	2461.46	2458.15	2454.05	2454.20

	Jun 16	Jun 13	Jun 12	Jun 11	Jun 10
FTSE Eurotrack 100	2451.85	2441.70	2408.58	2385.82	2381.52
FTSE Eurotrack 200	2471.83	2473.84	2445.01	2428.41	2427.86

Base value 1000 (26/10/90); Highday: 100 - 2457.34, 200 - 2476.03 Lowday: 100 - 2445.04 200 - 2451.80 † Partial.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Feb 1997	Mar 1997	April 1997	May 1997	US $bn
Belgium	151.79	153.54	139.44	145.80	4.14
Denmark	52.80	47.33	34.95	41.13	6.34
Finland	31.11	21.61	24.80	24.51	4.77
France	368.93	377.84	331.79	370.09	64.22
Germany	242.45	339.99	245.66	228.49	133.93
Italy	83,656	74,340	61,804	70,180	41.47
Netherlands	88.10	81.40	72.70	77.10	40.17
Norway	56.80	43.06	53.20	50.91	7.15
Spain	3,303.78	2,778.54	3,324.38	3,419.78	23.69
Sweden	208.54	179.82	193.76	205.80	26.62
Switzerland	114.95	106.16	107.25	112.54	79.57
UK	82.53	78.85	72.11	n/a	n/a

Volumes represent purchases and sales. Italian data adjusted to include off-market trading. Some figures may be revised. Source: NatWest Securities

Down steeply in April, turnover in continental European shares rallied gently in May in D-Mark terms, improving 2.9 per cent on the month. Germany continued to back-pedal, but most markets made gains, notably Denmark, which achieved a volume rise of 17.7 per cent. Italy turned a 17 per cent decline in April into a gain of 13.6 per cent in May. France, hit by election uncertainty and a steep slide for equities, saw volume rise 11.6 per cent. Germany, down 7 per cent, suffered the heaviest decline in turnover. According to Mr James Cornish of NatWest Securities, this *extends* the three month average decline in Germany to 17.3 per cent.

● **The Swiss figures have been revised following the merger of the *Zurich, Geneva* and *Basle bourses.***

Bid rumours help Sydney to fourth straight high

ASIA PACIFIC

A softening Australian dollar, talk of a resources takeover bid and another strong day for banks pushed **SYDNEY** to its fourth record close in succession. The All Ordinaries index gained 12.4 to 2,681.7.

The *weaker Australian* dollar and an upbeat quarterly commodity report underpinned resource stocks. Widespread talk of a takeover bid for QNI, the nickel and cobalt producer, also buoyed sentiment.

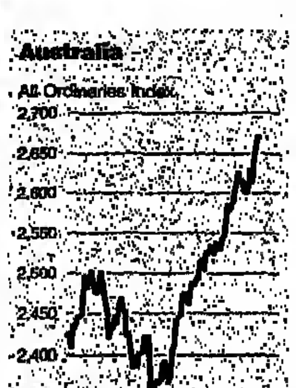
BHP advanced 40 cents to A$19.30 and Rio Tinto 59 cents to A$23.20. WMC gained *28 cents or 3.4 per* cent to A$8.55. QNI asked for a trading suspension at the outset, pending s board statement today. Tha hot rumour was that Gencor of South Africa was set to launch a A$1.4bn takeover bid.

Takeover speculation continued to drive banks. Commonwealth closed np 19 ceots at A$15.19 and NAB 7 cents at A$18.85. Westpac added 9 cents st A$7.79 but ANZ ran into profit-taking, slipping bsck 15 cents to A$9.70.

TOKYO fell prey to profit-taking after the substantial gains of recent sessions as basket-style selling by domestic institutions eclipsed continned buying by foreign investors, *writes Gwen Robinson.*

The Nikkei 225 sverage fell 87.41 to 20,593.66 after moving between 20,558.78 and 20,720.67. Trading was dominated by index-linked transactions, which failed to give a significant boost to any particular sector.

The Topix index of all first-section stocks fell 4.81 to 1,537.38 and the capital-weighted Nikkei *300* was off 1.37 at 297.13. Volume rose from 315m shares to an estimated *399m. Declines* led advances 630 to 427. In London, the ISE/Nikkei-50 index rose 1.15 to 1,610.07.



Blue-chip exporters suffered *moderate selling pres*sure on tha dollar's slight weakening to Y113. Sony slid Y110 to Y9,800, Honda Y40 to Y3,400 and Bridgestone Y40 to Y2,640. Toshiba fell for the first time in four trading days, shedding Y9 to Y761.

Banks were mixed. Hokkaido Takushoku Bank rose Y23 to Y170 on the previous day's news of a possible co-operation agreement with Barclays Bank. Hokkaido Bank, *planning to merge* with Hokkaido Takushoku, advanced Y23 to Y164.

Tokyo-Mitsubishi Bank fell Y30 to Y2,140 and Fuji Bank Y20 to Y1,680 while Sakura Bank added Y14 to Y849 and Daiwa Bank Y10 to Y533.

Many investors sought laggard issues, particularly in sectors unaffected by exchange-rate volatility. Among them, construction stocks sdvanced. Taisei was up Y17 st Y514, Obayashi Y18 at Y734, and Shimizu Y26 st Y723.

Jusco, the supermarket operator, rose Y110 to Y3,870, reversing its sharp decline of the preceding four sessions following the arrest last week of its president in connection with the racketeer pay-off scandal surrounding Nomura Securities and Dai-Ichi Kangyo Bank.

In Osaka, the OSE average fell 17.80 to 21,296.57 and volume rose to 19m shares.

BANGKOK fell to its lowest level for 98 months after a renewed outbreak of worries about non-performing *loans sent bank shares* sharply lower. The SET index fell 13.83 or 2.7 per cent to 497.72 on modest trada of Bt3.9bn.

Under new regulations, banks and finance companies have to provida details of their non-performing loans at the end of the June quarter. The banks sector *tumbled 5.3 per cent.*

There was some talk that banks were being dumped by foreign investors. Bangkok Bank fell Bt10 to Bt122 on the day's most active trade (Bt459m) and Thai Farmers Bank came off Bt6 to Bt83.50. Thai Bank lost Bt1.50 to Bt26.25.

HONG KONG turned back *after Monday's 2 per cent* risa as worries about the outlook for the property market once again became the predominant theme.

The Hang Seng index gave up 87.45 to 14,307.15 in turnover of HK$14.1bn.

Defensive stocks such as utilities attracted bargain hunters amid talk that one *merchant bank was plan*ning a basket warrant on the sector.

Hongkong Electric rose HK$1.80 to HK$32.70.

SEOUL enjoyed active demand from domestic and foreign funds for core blue chips, which pushed the composite index up 3.24 to a year's high of 792.29.

However, Kia Group shares plummeted as a delayed debt payment by a commercial vehicle affiliate caused concerns that the nation's eighth largest group faced financial problems although a group official strongly denied rumours of trouble.

Kia Motors hit its daily *lower limit of* Won14,700 before a rebound, which left the stock to close Won600 lower at Won15,300.

The other five listed Kia affiliates went limit down.

SINGAPORE clawed back earlier losses in the last half hour of trade, helped by a resurgence of fund orders. The Straits Times Industri*als index ended* 13.18 *higher* at 2,004.26. Losers outpaced gainers 180 to 156.

BOMBAY jumped 1.6 per cent on foreign fund buying of blue chips as the market was encouraged by news that the United Front coalition had deferred a rise in government-set oil prices. The BSE-30 index rose 62.23 to 4,087.64.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JUNE 16 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JUNE 13 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	235.13	0.2	212.79	168.64	211.42	208.89	0.5	3.68	234.57	212.66	170.07	211.93	207.64	235.13	188.44	200.81
Austria (24)	195.35	0.7	176.79	140.10	175.65	175.56	0.2	1.90	194.05	175.93	140.89	175.32	175.24	200.52	174.70	192.84
Belgium (26)	254.52	0.0	230.33	182.54	228.85	223.95	-0.6	3.19	254.57	230.79	184.57	230.00	225.19	255.67	206.70	212.94
Brazil (30)	288.98	1.0	261.52	207.26	259.84	571.03	1.0	1.26	286.06	259.34	207.40	258.45	565.62	288.98	167.18	167.18
Canada (112)	212.15	-0.4	192.02	152.18	190.79	212.25	-0.2	1.94	212.99	193.10	154.43	182.43	212.67	212.99	154.12	158.62
Denmark (32)	388.97	0.4	352.01	278.97	349.74	348.32	-0.1	1.45	387.26	351.09	280.79	349.67	348.53	391.53	297.75	297.75
Finland (28)	276.44	0.3	250.17	198.26	248.55	300.59	-0.3	1.52	275.67	249.92	199.87	249.06	301.49	279.84	186.67	193.42
France (91)	227.82	0.2	206.17	163.39	204.84	208.43	-0.4	2.72	227.44	206.19	164.90	205.48	209.22	232.34	186.94	185.82
Germany (59)	217.51	1.0	196.84	156.00	195.57	195.57	0.5	1.45	215.37	195.25	156.15	194.57	194.57	217.51	168.70	170.09
Hong Kong (68)	503.86	2.2	456.07	361.44	453.13	500.95	2.2	3.01	492.89	446.85	357.36	445.31	489.92	528.88	407.55	424.53
Indonesia (27)	245.54	1.2	222.21	176.10	220.78	365.81	1.2	1.61	242.57	219.92	175.87	219.15	361.39	-	-	-
Ireland (17)	354.64	0.3	320.94	254.35	318.88	329.21	0.2	2.88	353.50	320.45	258.30	318.39	328.70	354.64	270.08	288.71
Italy (59)	92.30	0.5	83.53	66.20	82.99	117.03	0.0	2.15	91.81	83.24	66.57	82.95	117.03	96.32	73.26	80.81
Japan (485)	139.46	2.0	126.21	100.02	125.39	100.02	0.9	0.79	136.76	123.99	99.15	123.56	99.16	158.25	107.57	157.02
Malaysia (107)	515.05	-0.4	469.73	372.26	466.70	502.96	-0.3	1.36	521.32	472.63	377.97	470.99	504.60	660.85	510.10	551.27
Mexico (27)	1522.21	0.3	1377.55	1091.72	1368.88	13242.05	0.3	1.40	1516.83	1375.15	1099.75	1370.39	13196.90	1522.21	1110.36	1218.15
Netherland (19)	394.22	1.4	356.76	282.73	354.46	350.01	0.9	2.22	388.73	352.42	281.84	351.20	346.79	394.22	279.88	295.71
New Zealand (14)	91.23	0.5	82.56	65.43	82.03	70.16	0.4	4.10	90.75	82.28	65.80	81.99	69.87	95.80	78.21	78.21
Norway (41)	306.85	-1.0	277.69	220.07	275.90	303.80	-0.7	2.02	310.08	281.12	224.82	280.14	305.98	321.23	246.04	255.62
Philippines (22)	166.68	-0.7	150.84	119.54	149.87	219.10	-0.7	0.85	167.82	152.14	121.67	151.62	220.63	-	-	-
Singapore (42)	383.92	-0.4	347.44	275.35	345.20	252.29	-0.5	1.20	385.58	349.56	279.56	348.35	253.65	448.01	360.08	416.50
South Africa (44)	361.36	0.1	327.02	259.17	324.91	355.26	0.0	2.44	361.00	327.28	261.74	326.15	355.26	370.12	301.49	359.46
Spain (35)	256.17	-0.5	231.83	183.72	230.33	283.51	-0.5	2.31	257.49	233.44	186.69	232.63	285.92	262.42	171.91	161.76
Sweden (49)	468.22	0.3	423.72	335.81	421.00	536.38	0.3	1.82	466.72	423.12	338.38	421.66	536.96	468.22	334.35	354.79
Switzerland (35)	300.55	0.1	271.99	215.55	270.24	268.26	-0.4	1.25	300.35	272.30	217.77	271.36	269.39	301.09	231.69	235.65
Thailand (43)	54.40	-2.2	49.23	39.02	48.92	54.56	-2.1	5.72	55.64	50.44	40.34	50.27	55.74	172.92	54.40	169.87
United Kingdom (212)	306.36	-0.5	277.25	219.72	275.46	277.25	-0.8	3.84	308.21	279.42	223.46	278.45	279.42	308.21	229.63	233.82
USA (649)	361.61	0.0	327.24	259.34	325.14	361.61	0.0	1.70	361.64	327.77	262.13	326.64	361.54	361.81	254.79	271.46
Americas (818)	330.79	0.0	299.36	237.24	297.43	278.59	0.0	1.69	330.74	299.85	239.78	298.81	278.52	330.79	233.09	247.72
Europe (727)	268.01	0.1	242.54	192.22	240.98	249.07	-0.3	2.57	267.79	242.78	194.15	241.94	249.73	268.01	204.71	210.03
Nordic (150)	400.30	0.2	362.26	287.10	359.93	398.49	0.0	1.80	399.54	362.22	289.68	360.57	398.37	401.56	291.45	303.75
Pacific Basin (682)	156.56	1.7	141.68	112.28	140.77	113.69	0.8	1.25	153.92	139.54	111.60	139.06	112.68	170.85	127.15	169.34
Euro-Pacific (1609)	203.07	0.8	183.77	145.64	182.59	164.75	0.3	1.97	201.43	182.61	146.04	181.89	164.33	203.07	173.55	186.19
North America (761)	352.40	0.0	318.91	252.74	316.86	351.68	0.0	1.70	352.40	319.48	255.50	318.38	351.65	352.40	248.85	264.49
Europe Ex. UK (515)	241.28	0.5	218.35	173.04	216.94	227.95	0.0	1.97	240.15	217.72	174.12	216.97	227.89	241.28	185.65	181.89
Pacific Ex. Japan (397)	306.56	0.9	277.43	219.86	275.64	269.48	1.0	2.77	303.91	275.52	220.34	274.57	266.86	320.65	268.57	285.03
World Ex. US (1822)	206.71	0.8	187.07	148.25	185.86	171.45	0.2	1.96	205.17	186.01	148.76	185.36	171.04	206.71	176.94	187.25
World Ex. UK (2259)	251.16	0.5	227.31	180.14	225.84	220.79	0.2	1.64	249.59	226.56	181.15	225.77	220.27	251.18	199.58	211.17
World Ex. Japan (1986)	316.93	0.1	285.81	226.58	284.07	305.79	0.0	2.05	315.65	286.18	228.65	285.17	305.82	315.93	233.10	244.43
The World Index (2471)	255.94	0.4	231.62	183.56	230.13	226.06	0.1	1.64	254.91	231.10	184.82	230.30	225.75	265.94	202.32	213.22

CONSTITUENT CHANGE WITH EFFECT: 16/6/97: Deletion: USLIFE Corp (USA). Latest prices were unavailable for this edition. Market closed 16/6/97: South Africa.